

KATHY HOCHUL  
Governor



KAITLIN ASROW  
Acting Superintendent

January 30, 2026

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

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 2025.

Respectfully submitted,

Kaitlin Asrow

Acting Superintendent of Financial Services

# State Charter Advisory Board

# Meetings Report



FOR THE CALENDAR YEAR 2025

JANUARY 2026



## **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 charged with working with the Superintendent of the New York State Department of Financial Services (the “Department” or “DFS”) to retain state-chartered banking institutions, encourage federally chartered institutions to convert to a state charter, and promote the state banking system. The members of the Board, who are appointed by the Superintendent, consist of representatives from credit unions, consumers, foreign banks, and banks which, to the extent practicable, reflect a range of sizes and geographical locations provided that at least one member shall represent institutions of more than \$3 billion in assets, and at least two members shall represent institutions of less than \$500 million in assets.

The Board meets at least three times annually. Board discussions typically focus on promoting the state banking system and provide a forum for exchanging views and discussing supervisory and regulatory developments. Board meetings also foster regular discussions with the industry and consumers concerning trends and other issues of concern, such as financial inclusion, commercial real estate, updates to state guidances and regulations, and consumer protection issues.

The Superintendent is required 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.

DFS thanks all Board members for their time, commitment, and valuable contributions throughout 2025.

## **SUMMARY OF THE STATE CHARTER ADVISORY BOARD MEETINGS:**

### **2025 Meetings Held**

- April 7, 2025
- July 24, 2025
- November 20, 2025

## **State Charter Advisory Board Meeting:**

**April 7, 2025: 2:00 – 3:00 p.m.**

The first meeting of the Board in 2025 was called to order, and after the Board members present announced themselves, the meeting commenced for presentations and discussions relating to the following agenda:

1. Introductory Remarks
2. Operational Stress Test White Paper
3. Technology Transformation
4. Open Forum for Discussions and Feedback from members

### **Summary of Discussions**

#### **1. Introductory Remarks by Acting Executive Deputy Superintendent Klyce Pennoyer**

Acting Executive Deputy Superintendent of Banking Polly Klyce Pennoyer opened the meeting by providing updates on ongoing DFS initiatives. In her remarks, she highlighted the department's progress towards executing a strategic plan to invest in human capital, modernize technological resources, and streamline processes. Acting Executive Deputy Superintendent Klyce Pennoyer provided Department-wide hiring updates, including the addition of the first-ever Chief Risk Officer of DFS. The Acting Executive Deputy Superintendent also provided updates on the launch of DFS Connect, a digital portal that will centralize the Department's interactions with regulated entities and consumers.

Next, Acting Executive Deputy Superintendent Klyce Pennoyer provided updates on the implementation of recommendations in the Department's Signature Bank report, which

documented the events that led to the bank's failure and identified opportunities to improve the Department's supervisory process. The Acting Executive Deputy Superintendent discussed the progress made towards implementing the recommendations from the report, including the release of a white paper with the results from the Operational Stress Testing pilot and the continued refinement of Department escalation protocols.

## **2. Operational Stress Test White Paper**

Acting Executive Deputy Superintendent Klyce Pennoyer delivered a presentation on the Operational Stress Test White Paper (the "White Paper") that was published by the Department on February 27, 2025. The Department developed an operational stress test, administered to an initial set of regulated banking organizations as part of a pilot program (the "Pilot"). The key findings of the Pilot were published in the White Paper.

Acting Executive Deputy Superintendent Klyce Pennoyer explained that challenges identified in the Spring 2023 banking turmoil led to the Department focusing the Pilot on institutions' readiness to implement liquidity contingency planning. Three institutions were selected for inclusion in the Pilot. All three participating institutions had at least satisfactory operational readiness, but the institutions identified several improvements that they could make to their liquidity contingency planning frameworks.

Acting Executive Deputy Superintendent Klyce Pennoyer concluded that the Department encourages its banks and other regulated institutions to consider the role that operational stress testing might have in updating and improving their risk management frameworks.

Discussion then followed on this topic. One Board member stated that the White Paper was useful, and that their institution was developing tabletop exercises for cybersecurity events. Another Board member added that their institution had just conducted a cybersecurity tabletop exercise.

### **3. DFS Technology Transformation**

Executive Deputy Superintendent for Technology and Operations, Steven Spalten, delivered a presentation on DFS Connect. The Executive Deputy Superintendent explained that the adoption of DFS Connect, a Salesforce-based product, is part of the Department's strategic plan to invest in human capital, modernize technological resources, and streamline processes.

DFS Connect is a customer relationship management ("CRM") platform launched in March of 2025, designed to provide a single portal to manage relationships and communications with DFS-regulated banks and other financial institutions and to create a centralized and streamlined information system for teams throughout the Department. DFS Connect will be used for supervision and workflow management. The Department's goal is that by 2027, all consumer complaints and regulatory functions agency-wide, including licensing, renewals, examinations, financial statements and legal filings, will be handled through DFS Connect.

### **4. Open Forum for Discussions and Feedback from Members**

During the open forum section of the meeting, Board member shared feedback from a recent interaction with the Department prior to the beginning of an exam. Acting Executive Deputy Superintendent Klyce Pennoyer noted that the Department appreciates such feedback and will always look to improve communication between examiners and regulated institutions.

Next, a Board member applauded the Department's work for the nonbank mortgage CRA regulation. The Board member expressed their belief that the regulation is a win for consumers and creates parity between bank and nonbank mortgage lenders. With that in mind, the Board member asked how the Department will navigate its role in consumer protection going forward. The Acting Executive Deputy Superintendent noted the Department's existing dual mandate of safety and soundness as well as consumer protection.

Finally, the Acting Executive Deputy Superintendent requested any feedback from Board members on areas of the Department's regulatory framework that would be ripe for an update. She stated that based on a suggestion from one of the Department's regulated institutions, the Department will be looking at Part 14 filings and opportunities to streamline that process. A Board member thanked the Acting Executive Deputy Superintendent for the opportunity and promised to submit recommendations to the Department.

There being no further items on the agenda, Acting Executive Deputy Superintendent Klyce Pennoyer adjourned the meeting at 3:00 p.m.

## **State Charter Advisory Board Meeting:**

**July 24, 2025: 1:00 – 2:00 p.m.**

The second meeting of the Board in 2025 was called to order, and after the Board members present announced themselves, the meeting commenced for presentations and discussions relating to the following topics:

1. Introductory Remarks by Superintendent Harris
2. Examiner Training
3. Cybersecurity
4. Open Forum for Discussion and Feedback from Members

### **Summary of Discussions**

#### **1. Introductory Remarks by Superintendent Harris**

Superintendent Adrienne A. Harris started the meeting by providing Departmental updates, including operational and staffing updates. Superintendent Harris noted achievements in staffing and the ongoing development of DFS Connect. She also brought to the Board members' attention two voluntary Requests for Information, one regarding climate change and one regarding overdraft fees. The Superintendent emphasized that the Department seeks to have quality, thorough data as a critical tool informing policy and regulatory decisions.

#### **2. Examiner Training**

Deputy Superintendent of Entity Risk, Waleed Husain, presented on the Department's new bank examiner training strategies. Deputy Superintendent Husain provided background on and an overview of DFS's redesigned trainee curriculum, in the process of being rolled out. As Deputy

Superintendent Husain explained, the curriculum is risk-aligned and tied to CAMELS components. In addition, the curriculum reflects a blended learning model, combining required classroom instruction with structured field application.

Discussion followed, with one Board member asking when this will be rolled out and how it will impact upcoming exams. Another Board member asked if the Consumer Examinations Unit (“CEU”) team, responsible for conducting consumer compliance, fair lending and CRA exams, will also be impacted by this curriculum revamp, and provided additional feedback on areas for improvement regarding the process for those set of exams

### **3. Cybersecurity**

Executive Deputy Superintendent of the Cybersecurity Division, Sarah Rugnetta, presented on amendments to Part 500. As background, Executive Deputy Superintendent Rugnetta explained that Part 500 was first adopted in 2017, but comprehensive amendments were adopted in 2023 to address new and increasing cybersecurity threats. Executive Deputy Superintendent Rugnetta emphasized the amendments to Part 500 that were taking effect on November 1, 2025. She also stressed that at its foundation, Part 500 is a flexible, risk-based regulation.

Next, Deputy Superintendent for Cybersecurity Operations, Sebastian Fischer, presented on cyber threats and incident trends. Deputy Superintendent Fischer noted that the Department is seeing evolutions in common social engineering threats, including the use of artificial intelligence to improve phishing attempts. Following that discussion, Deputy Superintendent Fischer noted that the trend of growing reliance on third-party service providers has increased the risk of cascading cyber events across different types of industries.

#### **4. Open Forum for Discussion and Feedback from Members**

During the open forum section of the meeting, one Board member suggested a need for more advocacy for the advantages and benefits of being a state-chartered institution. The Superintendent noted that the Department is constantly looking at ways to make sure the state charter remains competitive and is always open to ideas and suggestions in this regard

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

## **State Charter Advisory Board Meeting:**

**November 20, 2025: 3:00 - 4:00 p.m.**

The third and last meeting of the Board in 2025 was called to order, and after the Board members present announced themselves, the meeting commenced for presentations and discussions relating to the following topics:

1. Introductory Remarks by Acting Superintendent Kaitlin Asrow
2. New York State Empire State Development Loan Guarantee Program
3. Consent Order Policy
4. Consumer Exams Discussion
5. Tokenized Deposits in a Consortium

### **Summary of Discussions**

#### **1. Introductory Remarks**

The meeting began with opening remarks from the newly appointed Acting Superintendent Kaitlin Asrow. Acting Superintendent Asrow introduced herself and noted her top priorities for the Department, including affordability for New Yorkers and third-party risk.

Next, Acting Superintendent Asrow provided operational updates. She announced that in February 2026 the Department expects to internally roll out banking exams using DFS Connect in Salesforce. Acting Superintendent Asrow also provided information regarding the February 2026 internal rollout of the “DFS ID,” a new secure way for licensed and chartered entities to authenticate and use DFS applications.

Finally, Acting Superintendent Asrow spoke regarding ongoing DFS initiatives, including the extension of the Department’s April 2022 Guidance on the Use of Blockchain Analytics to New York banking organizations and the release of new guidance on cybersecurity-related risks arising from third-party service provider relationships.

In the discussion that followed, a Board member noted that exams in 2025 felt more streamlined. The same Board member noted that the Acting Superintendent’s stated priorities were shared by his institution, third-party risk in particular. This Board member noted that it might be helpful for the Department to hear directly from institutions’ Chief Risk Officers and technology teams about specific, emerging challenges their institution is facing.

## **2. Presentation by Senior Vice President Ray Salaberrios, Empire State Development**

Senior Vice President for the NYS Empire State Development (“ESD”), Ray Salaberrios, presented an overview of the \$50 Million NYS Loan Guarantee Program. Senior Vice President Salaberrios explained that the program is designed for banks, credit unions, and Community Development Financial Institutions (“CDFIs”) to reduce their lending risk and enable them to expand lending to small businesses, and provided detail on the loan approval process and loan terms once a bank enrolls. In consultation with the Department, ESD has begun conducting outreach to community banks to raise awareness and drive interest in this new program. Senior Vice President Salaberrios expressed an interest in following up individually with Board members representing banks or credit unions eligible to participate in the program.

### **3. Consent Order Policy**

Deputy General Counsel for Consumer Protection and Enforcement Meredith Weill presented on the Department's new policy on consent orders and other types of agreements, pursuant to which institutions may request, and the Department may issue, formal notices of satisfaction. This policy was responsive to specific requests raised by DFS regulated entities. Deputy General Counsel Weill noted that the policy will enhance transparency, consistency, and efficiency in the way that DFS addresses supervised institutions' need for documentation of their compliance with their obligations in connection with enforcement actions.

Discussions followed, with one Board member asking if the notices of satisfaction will be made public. Deputy General Counsel Weill confirmed that the notices will be public and can be disclosed to interested parties.

### **4. Consumer Examinations Discussion**

Executive Deputy Superintendent on Consumer Financial Protection, Gabriel O'Malley, attended to address and respond to feedback provided in the prior State Charter Advisory Board meeting on July 24, 2025. Executive Deputy Superintendent O'Malley shared that the Department has discussed that feedback internally and have taken additional steps to ensure that the Department always meets the highest standards when examining chartered institutions. Executive Deputy Superintendent O'Malley noted the importance of on-site exams, and the need for DFS to efficiently receive relevant information from the institution for examinations.

Discussion ensued, with one Board member noting concerns about examiners' knowledge of the institution at the start of an examined other areas that would benefit from improved efficiency.

A different Board member emphasized that they have built relationships with their Department examiners, and that they have had consistency of Department personnel over the past few years, which has been appreciated.

## **5. Tokenized Deposits in a Consortium**

The final presentation was made by Executive Deputy Superintendent of Banking, Polly Klyce Pennoyer. Executive Deputy Superintendent Klyce Pennoyer noted that in recent banking conferences and other engagements, there has been increasing discussion on topics related to tokenized deposits. The Department is aware that banks are exploring the use of tokenization technology in certain instances, including the possibility of tokenized deposits in a consortium framework. Executive Deputy Superintendent Klyce Pennoyer queried Board members to see whether they are considering entering this market, whether they are receiving third-party outreach encouraging participation in this market, whether there is consumer demand for this, and what risks or pitfalls that they may foresee.

Discussions followed. One Board member said that they are hearing a lot about it at conferences, but it is not on their 2026 roadmap. Another Board member said they are following it closely, but their institution isn't ready to act yet. Finally, a Board member shared that they feel prepared to receive stablecoins in an account and transfer them if there is client demand.

There being no further items on the agenda, Executive Deputy Klyce Pennoyer adjourned the meeting at 4:00 p.m.