



# Formal Budget Hearing

*New York Department of Financial Services*

October 18, 2023

# Who We Are

Formed after the 2008 financial crisis, DFS was established on October 3, 2011, by the merger of the former Departments of Insurance and Banking.

## DFS's Regulatory Oversight

More than 3,000 financial institutions with assets totaling

**\$9.5+ trillion**

1,300+ banks and financial institutions with assets of

**\$3.4+ trillion**



including credit unions, MSBs, foreign bank branches, virtual currency companies, and credit reporting agencies

1,960 insurance companies and related entities with assets of

**\$6.1+ trillion**



including property/casualty, life, health, managed care, and pharmacy benefits managers



# Our 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.”



# Organizational Structure

## Insurance

Regulates and supervises all insurance companies that do business in New York.

## Banking

Supervises banking and other financial institutions through chartering, licensing, registering, and examining safety and soundness.

## Consumer Protection & Financial Enforcement

Educates consumers, fights consumer fraud, and ensures that regulated entities comply with New York and federal law.

## Research and Innovation

Fosters financial services innovation that improves the lives of consumers and makes financial markets healthier and more resilient.

## Cybersecurity

Develops cybersecurity examination and supervision protocols, conducts enforcement investigations, and develops industry requirements to address threats and considerations.

## Climate

Integrates climate risks into supervision of regulated entities, supports managing climate risks, helps peer regulators on climate-related supervision, and ensures fair access for those most impacted by climate change.

## Office of the General Counsel

Provides counsel throughout the agency, drafts regulations and legislation, and is responsible for safeguarding the agency and protecting the interests of consumers.

## Operations

Manages human resources, technology, facilities, training, emergency management, audit, financial functions, and DEI initiatives.

## Office of Technology

Responsible for the administration and operation of all IT systems for employees and regulated entities, and for ensuring the security of all DFS systems and data.

## Capital Markets

Provides expertise in complex financial products, enterprise risk management, financial analysis, and regulatory accounting.



# Financial Funding Structure

Thanks to Governor Hochul and the Legislature, DFS was fully funded for the first time in FY23.

*The Department is funded solely by industry assessments, not the General Fund.*



# FY 2023-24 Appropriations

Enacted Budget 2023-24 (in \$000's)

	Appropriations
<b>DFS Operating Budget</b>	<b>315,184</b>
Personal Service	157,343
Non-Personal Service	47,641
Indirect	4,893
Fringe	105,307
<b>Total Suballocations</b>	<b>146,548</b>
State Operations	96,033
Local	50,515
Health Programs	23,050
Pharmacy Benefit Manager/Virtual Currency	20,390
Non-Assessable Funds	16,400
DOH Funded Programs	79,400

**Note:**

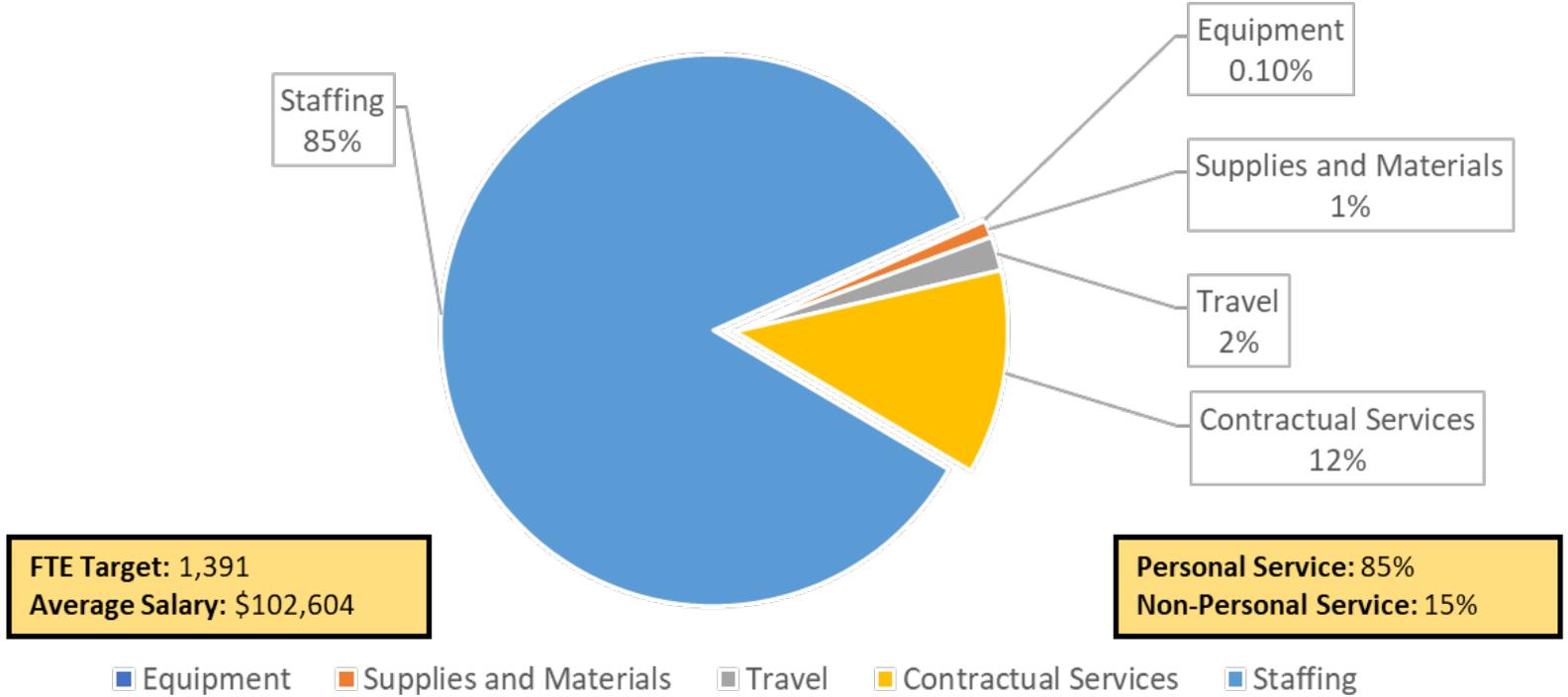
Health Programs: Healthy NY, Entertainment Workers Subsidies, Education Debt Consumer Assistance Program

Non-Assessable Funds: State Money Transmitter, Seized Assets, Settlement Enforcement

DOH-Funded Programs: Physicians Excess Medical Malpractice



# DFS Budget



**Note:** Staffing total equals PS + Fringe + Indirect



# Delivering for New Yorkers

Last year alone, the Department provided nearly **\$500 million** to the state and New Yorkers, at no cost to taxpayers.



**Restitution** to consumers and health care providers.



**Penalties** paid to the state General Fund.



DFS **assessment revenue** reappropriated to other state programs to fund insurance-related initiatives such as firefighter training, newborn health screenings, free pediatric vaccinations, and investigation of insurance fraud and building code violations.



# Achieving Our Mission

Superintendent Harris is building a new DFS on a foundation of **Policy, People, and Process**.

## 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.”**

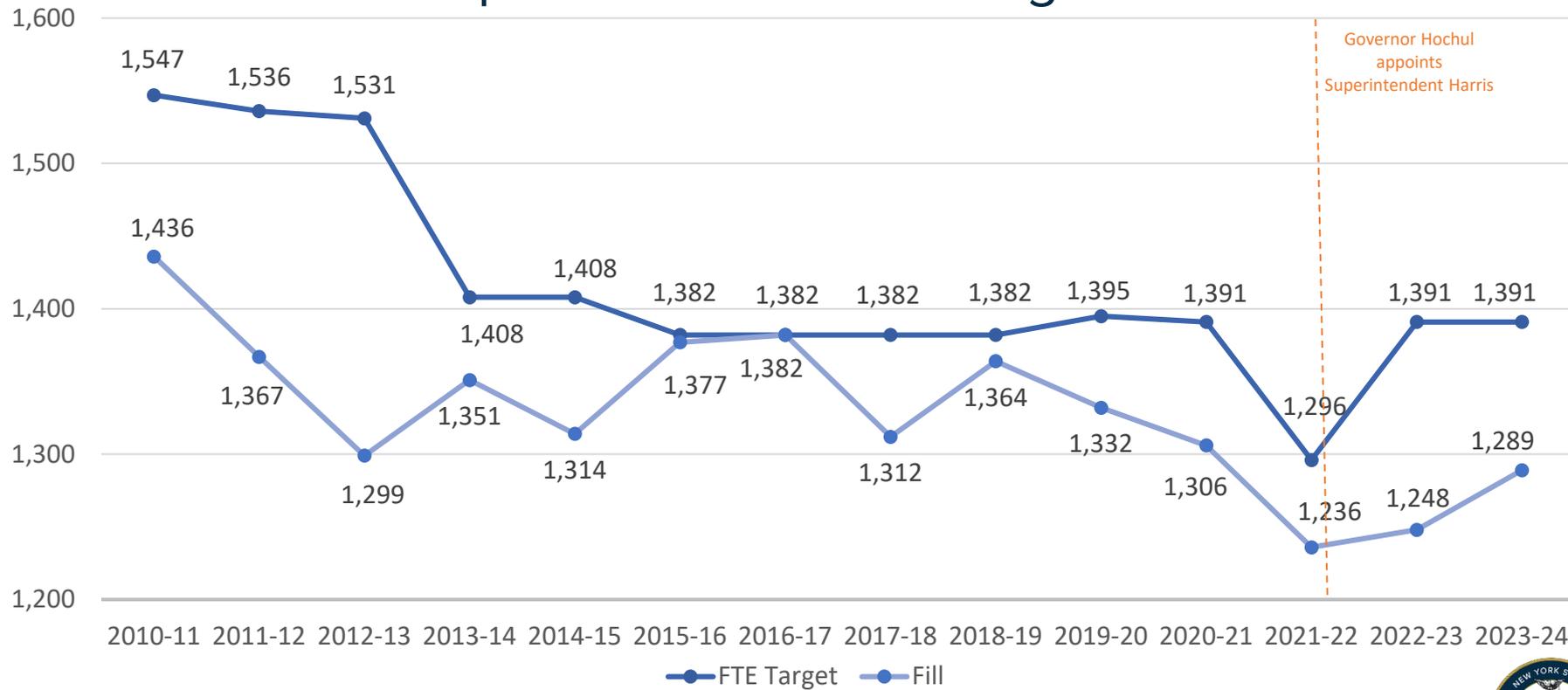


### PROCESS

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.



# People: FTE Count Rein vigorated



Note: Fill is as of 10/1 each year



# PEOPLE

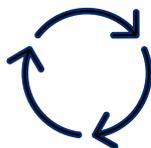
- At DFS, our people are our greatest asset.
- DFS remains focused on recruiting, retaining, and training top talent with our full allotment of FTEs.
- From January 2022 to October 2023:
  - Hired **321** new staff and promoted nearly **250** teammates.
  - Includes **101** Financial Service Examiner trainees, first classes since 2018.
  - Recruited top talent to strengthen management team to support agency staff.



# PROCESS

## *Enhancing Technology to Improve Agency Operations*

- DFS strives for 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, regulate, and supervise financial services; protect consumers; and enforce the law.
- Superintendent Harris hired DFS's first Chief Technology Officer and first head of data governance.
- DFS is modernizing its decades-old technology systems to create efficiency throughout the Department and to help identify and address issues more quickly.



# Transformation of Processes

- DFS is procuring a new customer relationship management (CRM) platform to streamline and simplify how regulated entities interact with the Department and support more efficient and effective internal operations.
- The Department is also implementing a new cloud-based data warehouse platform and data visualization tools that integrate data from our platforms to allow for real-time review and analysis of key performance data, facilitating faster, more efficient decision-making.
- A data governance team ensures that our data is accurate, consistent, properly managed, and can be leveraged to help us achieve our mission like never before.



# Investments Critical to the Safety and Soundness of the Financial Industry

## Decreasing Risk

As a prudential regulator who oversees thousands of financial institutions, including 17 globally systemic institutions, DFS needs the tools to identify and respond to risk, and better protect financial markets in New York and around the world.

## Increasing Efficiency

DFS generates significant ROI for New Yorkers, returning money to consumers and the State and helping to grow New York's largest industry. Smarter, more data-driven decision-making, will increase those returns.



# POLICY

Under Superintendent Harris's leadership, DFS has focused on kitchen table issues, working to improve the lives of consumers and small businesses by:

- Strengthening consumer protection while encouraging a healthy marketplace.
- Adopting a data-driven approach and developing policy based on findings, rather than ideology.
- Leading through collaboration and engagement with all stakeholders.



# Results for Consumers

Over the last two years, DFS has:

- Recovered more than **\$244 million** dollars for consumers to address nearly 100,000 complaints from New Yorkers, an **increase of more than 65% over the previous two years.**
- Secured an additional **\$33 million** in restitution for New Yorkers through enforcement actions and levied **\$272 million** in penalties to businesses.
- Issued **55** circular letters, industry letters, and other forms of regulatory guidance on products for New Yorkers including:
  - **Prohibiting discriminatory life insurance sales practices** that result in low-income households, consumers of color, and New Yorkers living upstate receiving policies with less favorable terms.
  - **Banning unfair and deceptive overdraft and non-sufficient funds fee** practices.
- Adopted **22** sets of new regulations including:
  - **Reducing check cashing fees** for consumers.
  - **New financing disclosures for small business loans.**
- Implemented more than **60** new amendments and additions to the Banking, Insurance, and Financial Services Laws.
- Approved **4** new Banking Development Districts and facilitated **23** banks to start offering BankOn accounts to increase access to affordable banking across the state.



# Leading the Way in Virtual Currency Transformation

As the nation's leading prudential regulator of virtual currency, DFS has developed forward-thinking regulation and supervision of the industry and protected New York consumers.

In 2022, Superintendent Harris launched the VOLT initiative (Vision, Operations, Leadership, Technology) to further strengthen DFS's oversight of this industry.

In less than two years, DFS has:

- Hired 60+ expert staff focused on virtual currency.
- Implemented new authority to assess virtual currency licenses.
- Issued 8 new regulatory guidance documents.
- Levied over \$132 million in penalties for violations of laws and DFS regulations.
- Updated and strengthened all internal policies and procedures.
- Regularly engaged with policymakers and regulators around the country and the world on DFS's framework as the leading regulator of virtual currencies.





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