



New York City Banking Commission
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NYC COUNCIL
SPEAKER'S OFFICE
RECEIVED

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May 24, 2019

Honorable Corey Johnson
Speaker, New York City Council
City Hall
New York, NY 10007

Re: 2019 New York City Bank Designation

Dear Speaker Johnson:

Please be advised that on May 24, 2019 the NYC Banking Commission approved the following 29 banks as NYC Designated Banks for a two-year period:

- | | |
|--------------------------------|----------------------------|
| 1. Amalgamated Bank | 16. Modern Bank |
| 2. Bank of America | 17. MUFG Union Bank |
| 3. Bank of New York Mellon | 18. M&T Bank |
| 4. Bank OZK | 19. People's United Bank |
| 5. BankUnited | 20. PNC Bank |
| 6. Capital One Bank | 21. Popular Community Bank |
| 7. Citibank | 22. Santander Bank |
| 8. ConnectOne Bank | 23. Signature Bank |
| 9. East West Bank | 24. Spring Bank |
| 10. Flushing Bank | 25. State Street Bank |
| 11. Habib American Bank | 26. Sterling National Bank |
| 12. HSBC Bank | 27. TD Bank |
| 13. International Finance Bank | 28. US Bank |
| 14. Israel Discount Bank | 29. Victory State Bank |
| 15. JP Morgan Chase Bank | |

In addition, on May 24, 2019 the NYC Banking Commission conditionally designated Wells Fargo as a NYC Designated Bank until all current contracts expire or the bank receives a Federal CRA rating of "Satisfactory" or above.

30. Wells Fargo Bank

The Banking Commission voted to conditionally designate Wells Fargo as a NYC Designated Bank. In May of 2017, Wells Fargo submitted an application for designation for the 2017 Designation cycle. In connection with the review of Wells Fargo's 2017 designation application, NYC Banking Commission staff reviewed Wells Fargo's Federal and New York State examination reports and CRA ratings, and found that the U.S. Office of the Comptroller of the Currency ("OCC") issued the bank a federal CRA rating of "Needs to Improve." At that time, Wells Fargo's Federal CRA rating of "Needs to Improve" did not meet the minimum federal CRA rating of "Satisfactory" or its equivalent. However, Title 22 RCNY §1-03(f)(1) authorizes the Banking Commission to designate as a City depository a bank that does not meet the requirements for designation of City monies where, in its discretion, the deposit of such monies in such bank is necessary to obtain essential services that are not reasonably obtainable elsewhere. It was due to this reasoning that the Banking Commission exercised its discretion at its May 31, 2017 meeting, pursuant to this provision, known as the "Necessity Exception" to conditionally designate Wells Fargo Bank for a two-year period ending in May 2019.

The Banking Commission is again exercising its discretion to conditionally designate Wells Fargo because the bank has 4 remaining contracts with the Department of Finance and City of New York for depository-bank services related to processing and collection of New York City tax revenues and cash disbursements. These contracts include lockboxes for city agencies and over \$ 4.3 billion of business and excise tax revenue processing. The contracts mature in June 2019, September 2019, and June 2020. In the past 2 years, the Department of Finance has exited 6 layered and multifaceted contracts with Wells Fargo representing ~80% of the business the bank had with New York City. These contracts were replaced utilizing vendors and other Designated Banks. As of April 30, 2019, Wells Fargo has 25 bank accounts with city deposits supporting critical city services administered by multiple city agencies totaling \$16.5 million, a 93% reduction since May 2017.

Given the critical and essential nature of the services remaining that are provided by Wells Fargo to the Department of Finance and the City of New York, there would be an immediate disruption to the cash flow of the City if the Banking Commission did not act under the Necessity Exception to conditionally designate Wells Fargo until these remaining contracts expire. As a result, the Banking Commission is invoking its discretion under Title 22, to conditionally designate Wells Fargo as a NYC Depository Bank. Upon expiration of the final remaining contract, if Wells Fargo has not achieved at least a "Satisfactory" Federal CRA rating, the Banking Commission will reconvene to de-designate Wells Fargo.

The NYC Banking Commission will vote on re-designations of banks again in May 2021.

Sincerely,



Karen A. Cassidy
Assistant Commissioner & Treasurer

Cc: Laura Anglin, Deputy Mayor of Operations, Banking Commission Representative of the Mayor
Brian Cook, Assistant Comptroller for Economic Development, Banking Commission Representative of the Comptroller
Council Member Daniel Dromm, Chair, NYC Council Finance Committee
Jonathan Ettricks, Director, Legislative Documents Unit, NYC Council
Rebecca Chasan, Chief Counsel, NYC Finance Division