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New York DFS Creates New “Powerhouse” Division Combining the Enforcement Division and Financial Frauds and Consumer Protection Division

On April 29, 2019, Linda Lacewell, the Acting Superintendent of the New York State Department of Financial Services (“DFS”), announced the combination of DFS’s previously separate Enforcement Division and Financial Frauds and Consumer Protection Division into a newly created Consumer Protection and Financial Enforcement Division. Superintendent Lacewell said the new Division will be a “powerhouse” and referred to DFS’s mandate to “guard against financial crises and consumers and markets from fraud.”¹

The new division will be led by Executive Deputy Superintendent Katherine A. Lemire. Prior to her appointment, Lemire was a partner at StoneTurn, a consulting firm specializing in corporate internal investigations, compliance, and monitoring. Previously, Lemire served as an Assistant U.S. Attorney in the Southern District of New York from 2002 to 2009 and as a prosecutor in the Manhattan District Attorney’s Office for five years before that. Matthew L. Levine continues to serve as Executive Deputy Superintendent for Enforcement.

The reorganization appears to be motivated, at least in part, by DFS’s statement in January that the agency was disappointed by a “troublesome policy shift away from consumer protection” at the federal Consumer Financial Protection Bureau (CFPB) and that DFS would “take action to fill the increasing number of regulatory voids created by the federal government.”²

The units within the new division will be: Enforcement; Investigations and Intelligence; Civil Investigations; Producers; Consumer Examinations; Student Protection; and Holocaust Claims Processing. The Consumer Assistance Unit, formerly part of the Financial Frauds and Consumer Protection Division, was not mentioned in DFS’s announcement. DFS’s plans for that unit are not clear. The Consumer Assistance Unit is responsible for receiving and mediating complaints from consumers.

¹ DFS Press Release, “Acting DFS Superintendent Lacewell Announces Appointment of Katherine Lemire as Executive Deputy Superintendent of Newly Created Consumer Protection & Enforcement Division,” Apr. 29, 2019, https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1904291.

² DFS, “Statement by DFS Superintendent Maria T. Vullo Regarding CFPB’s Troublesome Policy Shift Away from Consumer Protection,” Jan. 25, 2018, <https://www.dfs.ny.gov/about/statements/st1801251.htm>.

Acting Superintendent Linda A. Lacewell was appointed by Governor Cuomo to head the DFS on January 4, 2019, assuming office on February 11, 2019. She was previously Governor Cuomo's Chief of Staff and before that an Assistant U.S. Attorney in the Eastern District of New York. Lacewell is awaiting confirmation by the New York State Senate. Lacewell is expected to take a more assertive enforcement posture at DFS.³

We will continue to monitor developments at DFS and look forward to providing you with further updates.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

H. Christopher Boehning
+1-212-373-3061
cboehning@paulweiss.com

Jessica S. Carey
+1-212-373-3566
jcarey@paulweiss.com

Christopher D. Frey
+81-3-3597-6309
cfrey@paulweiss.com

Michael E. Gertzman
+1-212-373-3281
mgertzman@paulweiss.com

Roberto J. Gonzalez
+1-202-223-7316
rgonzalez@paulweiss.com

Brad S. Karp
+1-212-373-3316
bkarp@paulweiss.com

Richard S. Elliott
+1-202-223-7324
relliott@paulweiss.com

Rachel M. Fiorill
+1-202-223-7346
rfiorill@paulweiss.com

Karen R. King
+1-212-373-3784
kking@paulweiss.com

Justin D. Lerer
+1 212-373-3766
jlerer@paulweiss.com

Associate Shane D. Avidan contributed to this Client Memorandum.

³ *Bloomberg*, "For New York's New Bank Cop, Cuomo Revisits an Earlier Playbook," Feb. 4, 2019.