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Consolidation is king

By: Claude Solnik December 29, 2015

Mathematics has always been an important part of anything involving money. But in 2015, banks were doing a very different type of addition, uniting forces by merging. Others rolled out new branches, sometimes heading for the Big Apple. Financial institutions raised funds while accounting firms merged, changing the Long Island landscape of financial services. As the pieces in the banking puzzle moved around, the federal trustee tried to reassemble the puzzle comprised of money lost to Bernie Madoff.

Together, these all made 2015 a year of consolidation and growth even amid the wait for interest rates to rise. While that happened as the year ended, many other changes occurred, often attracting far less attention.

Bigger banks

Couples aren't the only ones heading down the aisle. So are financial institutions. In the wedding of the year, Westbury-based New York Community Bancorp last reached a deal to tie the knot with Astoria Bank in a deal valued at $2 billion.

"We've been prepping for a large merger since the end of 2011," NYCB CEO Joseph Ficalora said. "Now that all the stars have aligned, I have to say, it certainly looks and feels right."

Bridge Bancorp, parent of Bridgehampton National Bank, in June completed its acquisition of 11-branch Community National Bank and converted its software to BNB's systems.

BNB President Kevin O'Connor said the deal would expand his firm's "footprint across Long Island including Nassau and Queens and into New York City."

Following the acquisition, Bridge Bancorp's assets are about $3.2 billion with about $2.2 billion in loans and $2.7 billion in deposits.

Elsewhere in the region, the Federal Reserve Bank in September approved Paramus, N.J.-based Hudson City Bancorp's merger with Buffalo-based M&T Bank, creating a financial institution with 20 Long Island branches.

And other banks with a big New York presence reached deals to join rather than trying to beat their larger counterparts. Cleveland-based KeyCorp announced it is acquiring 394-branch First Niagara, with branches in New York City and Westchester, Orange and Rockland counties, although none on Long Island.

Marc Piro, spokesman for Wayne, N.J.-based Valley National Bank, said rising regulatory costs “will likely increase the merger and acquisition activity we are seeing in the industry right now.”

Valley recently obtained approvals to merge Orlando, Fla.-based CNLBank with $1.4 billion in assets and 16 branches into its operations.

Bridge Bancorp earlier acquired Southampton-based, one-branch Hamptons State Bank in 2011 and, in 2013, acquired Melville-based First National Bank of New York with branches in Merrick, Massapequa and Melville.

The big deal, though, remains NYCB’s takeover of Astoria, growing to more than $64 billion in assets including $49 billion in NYCB assets and $15.1 billion from Astoria.

The combined company will have 241 branches in the New York City metropolitan area and more than 350 branches in total, including New York Community’s 115 branches in Ohio, Arizona, Florida and New Jersey

Adding up

Accounting firms in 2015 also engaged in their own medley of mergers, as the phrase “bigger is better” seemed to attract more adherents. Part of it was in response to Baby Boomers’ desire to retire. But it also marked regional firms’ desire to grow.

Marcum, with large Melville operations, expanded around the nation with mergers that gave it operations in some of the nation’s biggest markets.

The firm in November merged Chicago and Deerfield, Ill.-based Frost, Ruttenberg and Rothblatt into its business, marking its entry into the Midwest and bringing additional healthcare expertise.

Marcum also added Philadelphia-based Smart, Devine & Co., growing operations in that market, as well as bringing expertise in insurance and education.

The firm also brought in DGLF CPAs & Business Advisors with operations in Nashville and Orlando, adding staff specializing in construction accounting with clients in 23 states.

Marcum has grown to include 1,400 professionals, including more than 180 partners, in 25 offices in major business markets throughout the United States, Grand Cayman and China.

Other Long Island accounting firms also grew by fast addition. Accounting firm EisnerAmper merged firms based in California and Florida into its operations, adding roughly 75 employees and continuing to expand across the nation. Sacramento, Calif.,-based Ueltzen & Co., specializing in forensic accounting and forensic technology investigations, brought on board nearly 20 professionals and staff. Meanwhile Florida-based Mallah Furman & Co. merged into EisnerAmper, adding more than 60 professionals and staff.

EisnerAmper includes roughly 180 partners and principals and 1,300 professionals and is an independent member of Allinial Global and EisnerAmper Global.

V for VC

Long Island often strikes out when it comes to venture capital. But lately, it's sometimes been more of a case of striking up the band than striking out.

Three Long Island firms, for instance, received a total of nearly $7 million in the second quarter of 2015, led by Melville-based software firm GroupGifting.com at $3.5 million, according to the MoneyTree Report from PricewaterhouseCoopers and the National Venture Capital Association.

"From virtually no VC funding in 2013 and prior, we are seeing startups getting funded," Tammy Straus, a partner at Grassi & Co. in Jericho, said. "Software and Internet-based companies seem to be leading the way, with a little bit of biotech."

Stony Brook-based biotech firm Codagenix obtained $2 million and Uniondale-based tech firm Flipps got $1.38 million, rounding out a good quarter for the region, while New York City boomed. That's up from no funding on Long Island during the prior second quarter, according to the survey.

"Three VC investments is a strong showing for the Long Island region," said David Silverman, managing partner of PwC's New York metro emerging company practice. "Let's hope this positive trend continues."

Flipps partnered with more than 150 channels to let viewers stream movies, music videos and other online content on TV via cell phone or tablet. Its free app lets you with a touch use your cell phone to access and stream images on television over the web.

Plastic people

After data breaches involving Target, Home Depot and many others, the cavalry finally arrived this year in the form of credit cards with chips.

Financial institutions in 2015 spent millions to replace debit cards that have magnetic stripes with ones equipped with chips as liability for fraud on these new cards began to shift to merchants.

U.S. lending institutions began issuing credit cards with chips over the past few years in the wake of data breaches.

But financial institutions in 2015 issued these smart debit cards and upgraded ATM networks amid a shift in liability.

Merchants rather than financial institutions as of Oct. 1 became liable for fraud on purchases committed with EMV (or Europay, MasterCard and Visa) chip-enabled cards, if the merchants process the transactions using magnetic stripes because they can't read chips.

Liability shifts at ATMs next October and gas stations in October 2017 as the industry seeks to get away from magnetic stripes – which are proving fraud magnets.

"We haven't replaced every credit card out there, but as new folks come in, they've all been issued cards with EMV chips since 2014," NEFCU COO John DeIeso said in September. "The debit side is new, even though it's common on the credit card."

Bethpage Federal Credit Union is also issuing chip-enabled debit cards with plans to replace all 120,000 within four months.

"They have to make sure the software is in place," Robert Hoppenstedt, Bethpage Federal's senior vice president in charge of operations and marketing, said of retailers. "And they need to train their staff."

If microchips are coming to U.S. debit cards, they have long been standard in Europe and much of the world. The United States instead has relied on flagging atypical transactions due to amount or location.

TD Bank spokeswoman Amber Lutz said each chip-enabled card comes with "instructions on how to use the card at the point-of-sale and frequently asked questions."

Chip-enabled cards bring new ongoing costs: NEFCU pays about $4 per card rather than slightly less than $1 for the older cards. Processors charge slightly more per transaction.

"We're trying to make it colorful, so it catches your eye," DeIeso said of mailers going out, explaining the new cards. "Of course, there will be some folks, and probably most, who don't read that."

Madoff money

The trustee for Bernard L. Madoff Investment Securities ended the year, by distributing about $1.19 billion to account holders with allowed claims, bringing the total to more than $9.16 billion,

Securities Investor Protection Corp. CEO Stephen Harbeck called this, the sixth such distribution, "another major milestone in this massive recovery effort."

Trustee Irving Picard and chief counsel David Sheehan said the distribution will be paid to those with allowed claims as of Nov. 18, 2015 relating to 1,071 accounts.

Claimants are receiving 8.262 percent of the allowed amount of each account, unless the claim is fully satisfied.

The average payment in this distribution was $1.11 million with amounts ranging from $1,298 to $202 million, which calculations indicate would go to Tremont, who paid roughly $1 billion and filed claims for nearly $3 billion.

The trustee so far has allowed 2,579 claims related to 2,238 accounts, including 1,269 with allowed claims up to $1,163,087 that will be fully satisfied as of this distribution.

When combined with the five prior distributions, the sixth distribution will satisfy up to 57.064 percent of each customer's allowed claim.