

STATE OF NEW YORK

4101

2017-2018 Regular Sessions

IN SENATE

February 3, 2017

Introduced by Sen. SANDERS -- read twice and ordered printed, and when printed to be committed to the Committee on Local Government

AN ACT to amend the general municipal law and the state finance law, in relation to allowing credit unions, savings banks, savings and loan associations and federal savings associations to accept and secure deposits from municipal corporations

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraph c of subdivision 1 of section 10 of the general
2 municipal law, as amended by chapter 623 of the laws of 1998, is amended
3 to read as follows:

4 c. "Public deposits" shall mean deposits of public funds in a bank,
5 savings bank, savings and loan association, credit union, or trust
6 company which are available for all uses generally permitted by the
7 bank, savings bank, savings and loan association, credit union, or trust
8 company to the depositing local government for actually and finally
9 collected funds under the bank's, savings bank's, savings and loan asso-
10 ciation's, credit union's, or trust company's account agreement or poli-
11 cies.

12 § 2. Paragraphs f, g and h of subdivision 1 of section 10 of the
13 general municipal law are relettered paragraphs g, h and i and three new
14 paragraphs f, j and k are added to read as follows:

15 f. "Credit union" shall mean a state-chartered credit union as defined
16 by subdivision nine of section two of the banking law or a federally-
17 chartered credit union as defined by the Federal Credit Union Act,
18 located and authorized to do business in New York.

19 j. "Savings bank" shall mean a savings bank as defined by subdivision
20 four of section two of the banking law or any federal savings bank.

21 k. "Savings and loan association" shall mean a savings and loan asso-
22 ciation as defined by subdivision eight of section two of the banking
23 law or any federal savings and loan association.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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§ 3. Subdivisions 2, 3 and 4 of section 10 of the general municipal law, as amended by chapter 623 of the laws of 1998, paragraph a of subdivision 2 as amended by chapter 128 of the laws of 2012, paragraphs a and b of subdivision 3 as amended by chapter 545 of the laws of 2005, paragraph c of subdivision 3 as amended by chapter 615 of the laws of 2002, and paragraph c of subdivision 2 and paragraph (e) of subdivision 4 as further amended by section 104 of part A of chapter 62 of the laws of 2011, are amended to read as follows:

2. a. (i) The governing board of every local government shall designate one or more banks, savings banks, savings and loan associations, credit unions or trust companies for the deposit of public funds, the disposition of which is not otherwise provided for by law, received by the chief fiscal officer or any other officer authorized by law to make deposits. Such designation shall be by resolution of the governing board or, in the case of a city, such other body as may be authorized or required by law to designate depositories. Such resolution shall specify the maximum amount which may be kept on deposit at any time in each such bank, savings banks, savings and loan associations, credit unions or trust company. Such designations and amounts may be changed at any time by further resolution. The governing board of every local government shall forward a copy of such resolution to the office of the state comptroller who shall retain such copy until such resolution is amended or dissolved. A copy of such resolution shall be retained by the state comptroller for record keeping purposes only.

(ii) The governing board of a local government that has designated one or more banks, savings banks, savings and loan associations, credit unions or trust companies for the deposit of public funds pursuant to subparagraph (i) of this paragraph may, in its discretion, authorize the designated bank, savings bank, savings and loan association, credit union or trust company to arrange for the redeposit of the local government's funds in one or more banking institutions, as defined in section nine-r of the banking law, for the account of the local government, through a deposit placement program that meets all of the following conditions:

(A) On or after the date that the local government's funds are received, the designated bank, savings bank, savings and loan association, credit union or trust company (I) arranges for the redeposit of such funds into deposit accounts in one or more banking institutions and (II) serves as custodian for the local government with respect to the funds redeposited into such accounts.

(B) Local government funds deposited in a designated bank, savings bank, savings and loan association, credit union or trust company in accordance with this subparagraph and held in the designated bank, savings bank, savings and loan association, credit union or trust company in excess of the amount insured by the federal deposit insurance corporation pending redeposit of the funds pursuant to this subparagraph shall be secured in accordance with subdivision three of this section.

(C) The full amount of local government funds redeposited by the designated bank, savings bank, savings and loan association, credit union or trust company into deposit accounts in banking institutions pursuant to this subparagraph (plus accrued interest, if any) shall be insured by the federal deposit insurance corporation.

(D) At the same time that the money of the local government is redeposited pursuant to this subparagraph, the selected depository receives an amount of deposits from customers of other financial institutions pursuant to the deposit placement program that are at least equal to the

1 amount of the local government's funds redeposited by the designated
2 bank, savings bank, savings and loan association, credit union or trust
3 company.

4 b. Except as otherwise provided by law, all deposits shall be made to
5 the credit of the local government. The deposit of public funds pursuant
6 to this subdivision shall release the officer making the deposit and his
7 or her surety from any liability for loss of such public funds by reason
8 of the default or insolvency of any such bank, savings bank, savings and
9 loan association, credit union or trust company.

10 c. The governing board of a local government, in which a banking
11 development district has been designated by the superintendent of finan-
12 cial services pursuant to section ninety-six-d of the banking law, may
13 designate a bank, savings bank, savings and loan association, credit
14 union, trust company or national bank located in such district for the
15 deposit of public funds, the disposition of which is not otherwise
16 provided for by law, received by the chief fiscal officer or other offi-
17 cer authorized by law to make such deposits. Such designation shall be
18 by resolution of the governing board or, in the case of a city, such
19 other body as may be authorized or required by law to designate deposi-
20 tories. Such resolution shall specify the maximum amount which may be
21 kept on deposit at any time with such bank, savings bank, savings and
22 loan association, credit union, trust company or national bank located
23 in such district. The governing board of every local government shall
24 forward a copy of such resolution to the office of the state comptroller
25 who shall retain such copy until such resolution is amended or
26 dissolved. A copy of such resolution shall be retained by the state
27 comptroller for record keeping purposes only. Subject to an agreement
28 between such governing board and such banking institution, public funds
29 deposited in such banking institution may earn a fixed interest rate
30 which is at or below such banking institution's posted two year certif-
31 icate of deposit rate. In those instances where there is such an agree-
32 ment, its terms and conditions shall also be specified in the resol-
33 ution. Any such designation, amount, or agreement provisions may be
34 changed at any time by further resolution.

35 d. Notwithstanding any provision of law to the contrary, no bank,
36 savings bank, savings and loan association or credit union shall be
37 designated for deposits of funds pursuant to the provisions of this
38 section or section eleven of this article unless the taxes described in
39 subdivision one of section two hundred fifty-three of the tax law are
40 paid on loans secured by mortgages that are provided by any such bank,
41 savings bank, savings and loan association or credit union. Any funds
42 deposited in any such bank, savings bank, savings and loan association
43 or credit union shall be withdrawn in accordance with the terms of any
44 deposit agreement if such taxes were not paid at the time any such mort-
45 gages were recorded.

46 3. All public deposits in excess of the amount insured under the
47 provisions of the Federal Deposit Insurance Act or by the National Cred-
48 it Union Administration under the Federal Credit Union Act as now or
49 hereafter amended shall be secured in accordance with this subdivision:

50 a. The officers making a deposit may accept a pledge of eligible secu-
51 rities having in the aggregate a market value at least equal to the
52 aggregate amount of public deposits from such officers, or a pledge of a
53 pro rata portion of a pool of eligible securities having in the aggre-
54 gate a market value at least equal to the aggregate amount of public
55 deposits from all such officers within the state at such bank, savings
56 bank, savings and loan association, credit union or trust company,

1 together with a security agreement from the bank, savings bank, savings
2 and loan association, credit union or trust company. The security agree-
3 ment and custodial agreement referred to below may be the same agreement
4 including when the bank, savings bank, savings and loan association,
5 credit union or trust company holding the public deposits holds the
6 collateral for the public body. The security agreement shall provide
7 that such eligible securities or pro rata portion of a pool of eligible
8 securities are being pledged by the bank or trust company as security
9 for the public deposits, together with agreed upon interest, if any, and
10 any costs or expenses arising out of the collection of such deposit upon
11 a default. It shall also provide for the conditions under which the
12 securities or pro rata portion of a pool of eligible securities held may
13 be sold, presented for payment, substituted or released and the events
14 of default which will enable the local government to exercise its rights
15 against the pledged securities. Such agreement shall include all
16 provisions deemed necessary and sufficient to secure in a satisfactory
17 manner the local government's interest in the collateral. The custodial
18 agreement shall provide that the pledged securities or pro rata portion
19 of a pool of eligible securities will be held by the custodial bank,
20 savings bank, savings and loan association, credit union or trust compa-
21 ny as agent of, and custodian for, the local government, and will be
22 kept separate and apart from the general assets of the custodial bank,
23 savings bank, savings and loan association, credit union or trust compa-
24 ny and it shall also provide for the manner in which the custodial bank,
25 savings bank, savings and loan association, credit union or trust compa-
26 ny shall confirm the receipt, substitution or release of the collateral.
27 Such agreement shall provide for the frequency of revaluation of collat-
28 eral by the custodial bank, savings bank, savings and loan association,
29 credit union or trust company and the substitution of collateral when a
30 change in the rating of a security causes ineligibility pursuant to
31 paragraph [f] g of subdivision one of this section. Such agreement shall
32 include all provisions deemed necessary and sufficient to secure in a
33 satisfactory manner the local government's interest in the collateral.
34 Such agreement may also contain such other provisions as the governing
35 board may deem necessary.

36 b. Whenever eligible securities delivered to a custodial bank, savings
37 bank, savings and loan association, credit union or trust company pursu-
38 ant to this paragraph are transferred by entries on the books of a
39 federal reserve bank or other book-entry system operated by a federally
40 regulated entity without physical delivery of the evidence of such obli-
41 gations, the records of the custodial bank, savings bank, savings and
42 loan association, credit union or trust company shall show, at all
43 times, the interest of the local government in such securities or pro
44 rata portion of a pool of eligible securities as set forth in the secu-
45 rity agreement.

46 c. (i) In lieu of or in addition to the deposit of eligible securi-
47 ties, the officers making a deposit may accept an eligible surety bond
48 payable to such local government as security for the payment of one
49 hundred percent, or an eligible letter of credit payable to such local
50 government as security for the payment of one hundred forty percent, of
51 the aggregate amount of public deposits from such officers and the
52 agreed upon interest, if any. The terms and conditions of any eligible
53 surety bond shall be approved by the governing board.

54 (ii) In lieu of or in addition to the deposit of eligible securities,
55 the officers making a deposit may, in the case of an irrevocable letter
56 of credit issued in favor of the local government by a federal home loan

1 bank whose commercial paper and other unsecured short-term debt obli-
2 gations are rated in the highest rating category by at least one
3 nationally recognized statistical rating organization, accept such
4 letter of credit payable to such local government as security for the
5 payment of one hundred percent of the aggregate amount of public depos-
6 its from such officers and the agreed upon interest, if any.

7 d. For purposes of determining the market value of securities as
8 required by this subdivision:

9 (i) The eligible securities described in subparagraphs (viii), (x) and
10 (xi) of paragraph [f] g of subdivision one of this section shall be
11 valued at eighty percent of their market value.

12 (ii) The eligible securities described in subparagraph (ix) of para-
13 graph [f] g of subdivision one of this section shall be valued at seven-
14 ty percent of their market value.

15 (iii) Of the eligible securities described in subparagraphs (v), (vi)
16 and (vii) of paragraph [f] g of subdivision one of this section, those
17 securities rated in the highest category shall be valued at one hundred
18 percent of their market value; those securities rated in the second
19 highest rating category shall be valued at ninety percent of their
20 market value; and those securities rated in the third highest rating
21 category shall be valued at eighty percent of their market value. When
22 two nationally recognized statistical rating organizations rate a secu-
23 rity in two different categories, the security shall be considered to be
24 rated in the higher of the two categories.

25 4. (a) Notwithstanding any other provision of law to the contrary, the
26 chief fiscal officer, or other officer authorized by law to make depos-
27 its, may, subject to the approval of the governing body of a local
28 government, by resolution, enter into a contract with a courier service
29 for the purpose of causing the deposit of public funds with a bank,
30 savings bank, savings and loan association, credit union or trust compa-
31 ny as provided in this section.

32 (b) The entrusting of public funds for deposit pursuant to paragraph
33 (a) of this subdivision shall release the officer entrusting the public
34 funds to the courier service and his or her surety from any liability
35 for loss of such public funds by the courier service in the process of
36 delivering such public funds to the designated bank, savings bank,
37 savings and loan association, credit union or trust company.

38 (c) The local government authorizing the deposit of public funds by a
39 courier service pursuant to paragraph (a) of this subdivision shall
40 require the courier service to obtain a surety bond for the full amount
41 entrusted to the courier, payable to the local government and executed
42 by an insurance company authorized to do business in this state, the
43 claims paying ability of which is rated in the highest rating category
44 by at least two nationally recognized statistical rating organizations,
45 to insure against any loss of public funds entrusted to the courier
46 service for deposit or failure to deposit the full amount entrusted to
47 the courier.

48 (d) A deposit made by a courier on behalf of a local government shall
49 be deemed to be a deposit made by the chief fiscal officer or other
50 officer entrusting such funds for purposes of the requirements contained
51 in this section for securing public deposits.

52 (e) A bank, savings bank, savings and loan association, credit union
53 or trust company may, from time to time and as agreed upon with a local
54 government, reimburse all or part of, but not more than, the actual cost
55 incurred by the local government in transporting cash, negotiable
56 instruments or other items for deposit through a courier service. Any

1 such reimbursement agreement shall apply only to a specified deposit
2 transaction, and may be subject to such terms, conditions and limita-
3 tions as the bank, savings bank, savings and loan association, credit
4 union or trust company deems necessary to ensure sound banking prac-
5 tices, including, but not limited to, any terms, conditions or limita-
6 tions that may be required by the department of financial services or
7 other federal or state authority.

8 § 4. Subdivision 2 of section 11 of the general municipal law, as
9 amended by chapter 128 of the laws of 2012, is amended to read as
10 follows:

11 2. a. The governing board of any local government or, if the governing
12 board so delegates, the chief fiscal officer or other officer having
13 custody of the moneys may temporarily invest moneys not required for
14 immediate expenditure, except moneys the investment of which is other-
15 wise provided for by law, either: (1) in special time interest-bearing
16 deposit accounts in, or certificates of deposit issued by, a bank,
17 savings bank, savings and loan association, credit union or trust compa-
18 ny located and authorized to do business in this state; or (2) in
19 accordance with all of the following conditions:

20 (i) the moneys are invested through a bank, savings bank, savings and
21 loan association, credit union or trust company located and authorized
22 to do business in this state;

23 (ii) the bank, savings bank, savings and loan association, credit
24 union or trust company arranges for the deposit of the moneys in certif-
25 icates of deposit in one or more banking institutions, as defined in
26 section nine-r of the banking law, for the account of the local govern-
27 ment;

28 (iii) the full amount of principal and accrued interest of each such
29 certificate of deposit must be insured by the federal deposit insurance
30 corporation;

31 (iv) the bank, savings bank, savings and loan association, credit
32 union or trust company acts as custodian for the local government with
33 respect to such certificates of deposit issued for the local govern-
34 ment's account; and

35 (v) at the same time that the local government's moneys are deposited
36 and the certificates of deposit are issued for the account of the local
37 government, the bank, savings bank, savings and loan association, credit
38 union or trust company receives an amount of deposits from customers of
39 other financial institutions equal to or greater than the amount of the
40 moneys invested by the local government through the bank or trust compa-
41 ny.

42 b. For any investment made pursuant to paragraph a of this subdivi-
43 sion, such time interest-bearing deposit account or certificate of
44 deposit shall be payable within such time as the proceeds shall be need-
45 ed to meet expenditures for which such moneys were obtained and provided
46 further that such time interest-bearing deposit account or certificate
47 of deposit be secured in the same manner as is provided for securing
48 deposits of public funds by subdivision three of section ten of this
49 article.

50 § 5. Subdivision 1 and the opening paragraph of subdivision 2 of
51 section 105 of the state finance law, subdivision 1 as amended by chap-
52 ter 204 of the laws of 2002 and the opening paragraph of subdivision 2
53 as amended by chapter 154 of the laws of 1953, are amended and two new
54 subdivisions 7 and 8 are added to read as follows:

55 1. All moneys received by the commissioner of taxation and finance on
56 account of the state, excepting such moneys as are required by law to be

1 deposited to the credit of the comptroller, but including such moneys as
2 are thereafter paid into the state treasury by the comptroller, shall be
3 deposited by the commissioner of taxation and finance within three days
4 after the receipt thereof, either as a demand deposit or an interest-
5 bearing [time] deposit (other than a time certificate of deposit), as he
6 or she and the comptroller may determine, in such banks, trust companies
7 ~~[and industrial banks]~~, savings banks, savings and loan associations or
8 credit unions as in his or her opinion and the opinion of the comp-
9 troller are secure. The moneys so deposited shall be placed to the
10 account of the commissioner of taxation and finance. He or she shall
11 keep a bankbook in which shall be entered his or her account of deposit
12 in and moneys drawn from the banks ~~[and]~~, trust companies ~~[and indus-~~
13 ~~trial banks]~~, savings banks, savings and loan associations or credit
14 unions in which deposits are made by him or her, which he or she shall
15 exhibit to the comptroller for his or her inspection on the first Tues-
16 day of every month and oftener if required. He or she shall not draw any
17 moneys from such banks, trust companies ~~[or industrial banks unless by~~
18 ~~checks signed and countersigned]~~, savings banks, savings and loan asso-
19 ciations or credit unions designated in the manner prescribed by section
20 one hundred one of this article, unless otherwise provided by law. No
21 moneys shall be paid by any such bank, trust company ~~[or industrial~~
22 ~~bank]~~, savings bank, savings and loan association or credit union out of
23 any such deposit except upon such checks. Moneys may be paid through
24 electronic transfer in accordance with procedures developed by the
25 commissioner of taxation and finance and the comptroller and consistent
26 with the requirements of this section for recording payments. Such
27 payments through electronic transfer shall be considered, for purposes
28 of this chapter, to be moneys drawn by check. Every such bank, trust
29 company ~~[or industrial bank]~~, savings bank, savings and loan association
30 or credit union shall transmit to the comptroller monthly statements of
31 all moneys received and paid by it on account of the commissioner of
32 taxation and finance.

33 Every bank, trust company ~~[and industrial bank]~~, savings bank, savings
34 and loan association or credit union designated for the deposit of state
35 moneys under the provisions of this section shall, before deposits are
36 made:

37 7. Public funds deposited into a savings bank, federal savings bank,
38 credit union, federal credit union, savings and loan association or
39 federal savings and loan association, shall be limited to one million
40 dollars per savings bank, federal savings bank, credit union, federal
41 credit union, savings and loan association or federal savings and loan
42 association.

43 8. For purposes of this section, the terms "credit union", "savings
44 bank" and "savings and loan association" shall have the meaning provided
45 in subdivision one of section ten of the general municipal law.

46 § 6. Section 106 of the state finance law, as amended by chapter 155
47 of the laws of 2012 and subdivision D as added by chapter 128 of the
48 laws of 2012, is amended to read as follows:

49 § 106. Deposit of moneys by state officers, state institutions and
50 charitable and benevolent institutions. 1. Such moneys received by the
51 commissioner of taxation and finance as are now deposited to the credit
52 of the comptroller pursuant to statute, and thereafter paid into the
53 state treasury, shall be deposited by him or her to the credit of the
54 comptroller in such bank ~~[or]~~, trust company, savings bank, savings and
55 loan association or credit union, as shall be designated by the comp-

1 troller at such rate of interest, if any, as shall be agreed upon by the
2 depository and the comptroller.

3 2. All other moneys received by the commissioner of taxation and
4 finance except as provided in section one hundred five of this article
5 and all moneys received by any other state officer or other person
6 receiving moneys belonging to the state, or for which such state officer
7 or other person may be responsible in his or her official capacity, and
8 all moneys received by any state institution, except for moneys received
9 pursuant to a clinical practice plan established pursuant to subdivision
10 fourteen of section two hundred six of the public health law and all
11 moneys received from the state by any charitable or benevolent institu-
12 tion supported in whole or in part by the state, shall be deposited to
13 his, her, or its credit in such bank ~~[or]~~, trust company, savings bank,
14 savings and loan association or credit union, as shall be designated by
15 the comptroller at such rate of interest, if any, as shall be agreed
16 upon by the depository and the comptroller.

17 3. Every ~~[bank or trust company]~~ depository designated by the comp-
18 troller for the deposit of any such moneys

19 ~~[A-]~~ a. Shall give a bond with sufficient sureties for the security of
20 such deposit, to be approved by the comptroller and filed in his or her
21 office,

22 ~~[B-]~~ b. Or shall, in lieu of such surety bond, with the permission of
23 the comptroller deposit with the comptroller such outstanding unmatured
24 bonds or notes or such certified check or checks as are described in
25 section one hundred five of this article. The comptroller may, in his or
26 her discretion, accept and substitute for any surety bond or undertaking
27 given, pursuant to this section, a bond or undertaking in such form and
28 with other surety or sureties, or other security as required by this
29 section, for such sums as may be prescribed and approved by the comp-
30 troller for the safe keeping and prompt payment of such moneys on legal
31 demand therefor with interest, if any, and the comptroller may thereupon
32 execute and deliver to the surety or sureties, upon the former bond or
33 undertaking, a release of such surety or sureties from any liability
34 accruing subsequent to the date of such release. Such release shall not
35 relieve such surety or sureties from any obligation for losses incurred
36 prior to the date thereof. On the withdrawal of all moneys from any such
37 depository and a closing and settlement of the account thereof, the
38 comptroller may in his or her discretion certify to such settlement and
39 release to the obligor or owner or owners entitled thereto, of such
40 surety bond, undertaking, certified check or checks, or other security
41 deposited with him or her.

42 ~~[C-]~~ c. Notwithstanding any other provisions of this section, the
43 comptroller shall not designate for the deposit of moneys by state offi-
44 cers, state institutions and charitable and benevolent institutions
45 supported in whole or in part by the state a banking institution to
46 which the Community Reinvestment Act of 1977, United States P.L. 95-128,
47 applies unless such institution shall have received a record of perform-
48 ance no lower than "satisfactory" as determined under such act in
49 accordance with section twenty-eight-b of the banking law.

50 ~~[D-]~~ d. In lieu of a security bond as prescribed under subdivision [A]
51 a of this section or other security as prescribed under subdivision [B]
52 b of this section, the comptroller may authorize a designated bank or
53 trust company to arrange for the redeposit of the moneys through a
54 deposit placement program that meets all of the following conditions:

55 (1) The designated bank or trust company arranges for the redeposit of
56 the moneys into deposit accounts with one or more banking institutions,

1 as defined in section nine-r of the banking law, for the account of the
2 state, and serves as custodian for the state with respect to the moneys
3 redeposited into such deposit accounts.

4 (2) Moneys held by a designated bank or trust company pending redepos-
5 it pursuant to paragraph one of this subdivision that are in excess of
6 the amount insured by the federal deposit insurance corporation shall be
7 secured in accordance with [~~subdivision A or B~~] paragraph a or b of this
8 [~~section~~] subdivision.

9 (3) The full amount of the moneys redeposited into deposit accounts
10 pursuant to paragraph one of this subdivision, plus accrued interest, if
11 any, shall be insured by the federal deposit insurance corporation.

12 (4) At the same time that the moneys are redeposited pursuant to para-
13 graph one of this subdivision, the designated bank or trust company
14 receives an amount of deposits from customers of other financial insti-
15 tutions pursuant to the deposit placement program that are at least
16 equal to the amount of the moneys redeposited by the designated bank or
17 trust company.

18 4. This section shall not apply to any funds held by the superinten-
19 dent of financial services in a fiduciary capacity.

20 5. Public funds deposited into a savings bank, federal savings bank,
21 credit union, federal credit union, savings and loan association or
22 federal savings and loan association, shall be limited to one million
23 dollars per savings bank, federal savings bank, credit union, federal
24 credit union, savings and loan association or federal savings and loan
25 association.

26 6. For purposes of this section, the terms "credit union", "savings
27 bank" and "savings and loan association" shall have the meaning provided
28 in subdivision one of section ten of the general municipal law.

29 § 7. Severability. If any clause, sentence, paragraph, section or part
30 of this act shall be adjudged by any court of competent jurisdiction to
31 be invalid, such judgment shall not affect, impair or invalidate such
32 clause, sentence, paragraph, section or part thereof directly involved
33 in the controversy in which such judgment shall have been rendered.

34 § 8. This act shall take effect immediately.