

# STATE OF NEW YORK

9561

## IN ASSEMBLY

March 20, 2024

Introduced by M. of A. KIM -- read once and referred to the Committee on Banks

AN ACT to amend the state finance law, the financial services law and the New York state urban development corporation act, in relation to establishing the empire state enhanced public payment system act

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

1 Section 1. This act shall be known and may be cited as the "enhanced  
2 public payment system act".

3 § 2. Legislative intent. Many New York residents, including individ-  
4 uals who receive public benefits and payments related to nutrition and  
5 social services, are targets of identity and consumer theft. Similarly,  
6 many New York residents who rely on Medicaid home and community care  
7 services are victims of exploitation by private intermediaries that  
8 manage public payments.

9 A system of individual digital wallets or payment accounts, linked to  
10 a single master account that enables payments to move between such indi-  
11 vidual wallets or payment accounts, is now easy to construct and admin-  
12 ister with the use of secure digital payment technologies. The state of  
13 New York annually disburses more than thirty billion dollars of social  
14 and health benefits, including home care services, and fifty-five  
15 billion dollars in the form of tax credits, procurement payments,  
16 pension payouts, and other program dispersals, all of which can readily  
17 be disbursed via a system of individual wallets or accounts linked to a  
18 master account. The state of New York also receives more than fifty-five  
19 billion dollars annually in the form of service payments, tax monies,  
20 licensing fees, civil fines and other remittances, all of which can be  
21 readily paid into a master account from individual wallets or accounts  
22 of the kind just described.

23 A system of individual digital wallets or payment accounts linked to a  
24 master account could accordingly function as a state-provided and admin-  
25 istered payment infrastructure, in and through which value could be  
26 accumulated, stored, grown and exchanged in 'real-time,' with no need  
27 for fees or other forms of exploitative value extraction, thereby assur-

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

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1 ing that all New York residents are: (a) able to receive real-time  
2 payments; (b) able to create, receive and grow wealth; and (c) empowered  
3 to participate fully in a growing state economy suffering no shortage of  
4 currency or forgoing of commerce.

5 § 3. The state finance law is amended by adding a new section 4-b to  
6 read as follows:

7 § 4-b. Empire state enhanced public payment system. 1. Definitions.  
8 As used in this section, the following terms shall have the following  
9 meanings:

10 (a) "master account" means a digital account which enables payments to  
11 be transferred between individual wallets;

12 (b) "individual wallet" means a digital account which:

13 (i) is linked to a master account;

14 (ii) enables a resident to send or receive payment to any entity of  
15 the state or to another resident;

16 (iii) allows value to be accumulated, stored, grown and exchanged; and

17 (iv) is not subject to fees or other value extraction for use of the  
18 individual wallet;

19 (c) "resident" means an individual or a domestic corporation or  
20 foreign corporation authorized to do business in the state;

21 (d) "public payment system" means the empire state enhanced public  
22 payment system established pursuant to subdivision two of this section;

23 (e) "state entity" means any department, board, bureau, division,  
24 commission, committee, council, office of the state, or other govern-  
25 mental entity with statewide jurisdiction;

26 (f) "payment service provider" means an entity which provides online  
27 services for accepting electronic payments by a variety of methods,  
28 including, but not limited to, credit card, direct debit, and bank  
29 transfer; and

30 (g) "banked" means a payment network making real-time payments for  
31 consumers, businesses and banks.

32 2. The department of financial services, in cooperation with the  
33 department of taxation and finance, the office of the comptroller, the  
34 New York state and local retirement system, the department of labor, the  
35 department of health, the department of social services, and other state  
36 agencies shall develop, establish, and maintain a value storage and  
37 payment platform to be known as the empire state enhanced public payment  
38 system. The empire state enhanced public payment system shall consist of  
39 a digital master account and coordinate a system of individual wallets  
40 which shall be maintained and administered by the urban development  
41 corporation as described in subdivision thirty-one of section five of  
42 section one of chapter one hundred seventy-four of the laws of nineteen  
43 hundred sixty-eight, constituting the New York state urban development  
44 corporation act.

45 3. All funds disbursed to residents by a state entity or any other  
46 state instrumentality shall be made out of the master account to indi-  
47 vidual wallets linked to the master account via enhanced public payment  
48 system and any remittance made to a state entity or other state instru-  
49 mentality by a resident shall be permitted to be made, at the option of  
50 the resident making the remittance, from the resident's individual  
51 wallet.

52 4. All residents shall have the ability to make payments to, and  
53 receive payments from, other residents through links among individual  
54 wallets on the value ledger. Each payment shall be effected by a simul-  
55 taneous crediting of the payee's individual wallet and an equal debiting  
56 of the payer's individual wallet. Such payments shall be able to be

1 directed by the means of payment cards, wire services, smart-device  
2 apps, or other electronic funds transfer.

3 5. Any resident making payment to, or receiving payment from, any  
4 other resident may require that the payee or payer accept or make  
5 payment via the system of individual wallets on the enhanced public  
6 payment system; provided, however, that residents who make payments to,  
7 or receive payments from, other residents shall not be required to tran-  
8 sact with each other on the public payment system in the event that no  
9 party to the transaction opts to do so and further provided that no  
10 transacting party's opting not to do so is coerced by any other trans-  
11 acting party or associates of such transacting party.

12 6. Any commercial bank, other financial institution, or payment  
13 service provider doing business in the state shall be required to:

14 (a) provide for full interoperability between individual wallets on  
15 the enhanced public payment system and any demand deposit or transaction  
16 account maintained by the commercial bank, other financial institution,  
17 or payment service provider for the holders of such individual wallets;  
18 and

19 (b) permit all holders of individual wallets to make deposits into and  
20 withdrawals from such individual wallet via any automated teller  
21 machine, teller window, or other deposit or withdrawal facility the  
22 bank, financial institution, or payment service provider offers to  
23 customers. There shall be no pecuniary or other charge assessed for  
24 access to individual wallets; any costs associated with access to and  
25 use of individual wallets shall be considered an incident of such  
26 commercial bank, other financial institution, or payment service provid-  
27 er's status as a publicly licensed financial utility.

28 7. The department of financial services shall also develop and make  
29 available at no cost a downloadable smart-device application to be known  
30 as the empire state enhanced public payment app through which residents  
31 can access and receive and make payments into and out of individual  
32 wallets. All entities operating in the state that accept payments via  
33 smart-device applications of any kind shall be required to accept  
34 payments via the enhanced public payment application at the option of  
35 any payer wishing to pay via such enhanced public payment application.

36 8. The department of taxation and finance, the New York state and  
37 local retirement system, the department of health and the department of  
38 social services, as the state's principal disbursers and receivers of  
39 funds, credits, and remittances, shall exercise special care in assist-  
40 ing with and promoting the establishment and wide use of the enhanced  
41 public payment system, in order to hasten both:

42 (a) the full banking of the state's unbanked and vulnerable individ-  
43 uals; and

44 (b) inclusion of the state's currently marginalized residents in the  
45 process of value creation, wealth accumulation, and commercial exchange.

46 9. The department of financial services shall:

47 (a) ensure compliance by all banks, other financial institutions, and  
48 payment service providers with the requirements of this section;

49 (b) prohibit and prevent any other person or company in the financial  
50 services or payments industries from exploiting enhanced public payment  
51 wallet holders or otherwise subverting the value-creating and commerce-  
52 promoting purposes of this section, including by offering advances on  
53 anticipated state remittances for fees; and

54 (c) ensure compliance with state banking, regulatory, and digital and  
55 financial privacy laws by all entities that oversee or transact via the  
56 enhanced public payment system. The department, in coordination with the

1 urban development corporation, shall also coordinate with any relevant  
2 regulatory agency of the United States to ensure compliance with federal  
3 banking, regulatory, employee benefit and any other applicable federal  
4 laws.

5 10. The department of financial services shall be authorized to coordi-  
6 minate with its counterpart agencies in other states and territories of  
7 the United States in connection with any common regulatory needs impli-  
8 cated or challenges raised by state enhanced public payment systems.

9 § 4. Section 301 of the financial services law is amended by adding a  
10 new subsection (d) to read as follows:

11 (d) The superintendent shall have the power to direct the department  
12 to develop, establish, and maintain the empire state enhanced public  
13 payment system established pursuant to section four-b of the state  
14 finance law. The superintendent shall also have the power to direct the  
15 department to coordinate with agencies in other states and territories  
16 of the United States the regulatory needs or challenges raised by state  
17 enhanced public payment systems.

18 § 5. Section 5 of section 1 of chapter 174 of the laws of 1968,  
19 constituting the New York state urban development corporation act, is  
20 amended by adding three new subdivisions 31, 32 and 33 to read as  
21 follows:

22 (31) To maintain and administer, in consultation with the department  
23 of financial services, the department of labor, the department of health  
24 and the department of social services, the empire state enhanced public  
25 payment system established pursuant to section four-b of the state  
26 finance law, with a view to encouraging the expansion of commerce and  
27 the broad growth and accumulation of wealth in the state. The corpo-  
28 ration, in consultation and coordination with the department of finan-  
29 cial services, the department of labor, the department of health, the  
30 department of social services, the department of taxation and finance  
31 and the New York state and local retirement system, shall observe and  
32 build into the empire state enhanced public payment system strict  
33 compliance with the highest standards of commercial and financial data  
34 privacy. Such standards shall establish, at a minimum, that:

35 (a) no wealth accumulation or spending activity of any sort that makes  
36 use of the enhanced public payment system shall be shared with, inti-  
37 imated to, or sold to any non-governmental person or entity;

38 (b) any sharing of information with governmental entities shall be  
39 solely for purposes of optimizing administration of the empire state  
40 enhanced public payment system or for law enforcement purposes;

41 (c) any personal data that is not being used solely to assist the  
42 person whose data is being accessed and that is being used for adminis-  
43 trative purposes shall be cryptographically anonymized;

44 (d) any personal data shared with law enforcement authorities shall be  
45 shared solely in strict compliance with the fourth amendment to the  
46 United States constitution and any and all other state, federal and  
47 local legal constraints that protect the rights of suspected or accused  
48 persons and the empire state enhanced public payment system shall not  
49 lessen the degree of legally assured data privacy of New York residents;  
50 and

51 (e) any and all practicable measures possible shall be taken to  
52 prevent accidental data privacy breaches stemming from outside or inad-  
53 vertent disclosure.

54 (32) To explore and negotiate possible interstate compacts enabling  
55 the growth of enhanced public payment systems across multiple states,  
56 regions, and territories of the United States. The corporation, as the

1 principal administrator of the enhanced public payment system, shall  
2 reach out to and consult with counterpart agencies in other states, with  
3 a view to assisting with the development of similar value storage and  
4 payment platforms in such states and with the goal of the possible  
5 interoperability of such platforms with the empire state enhanced public  
6 payment system.

7 (33) To explore and negotiate possible pilot programs enabling the  
8 growth and spread of an enhanced public payment system across the broad-  
9 er United States. As the principal administrator of the enhanced public  
10 payment system established pursuant to section four-b of the state  
11 finance law, the corporation shall be authorized to reach out to and  
12 consult with the federal reserve bank of New York, the federal reserve  
13 board of the United States, and the department of treasury of the United  
14 States, with a view to possibly assisting such entities with the devel-  
15 opment of a national value storage and payment platform similar to the  
16 enhanced public payment system.

17 § 6. Severability. If any clause, sentence, paragraph, subdivision,  
18 section or part of this act shall be adjudged by any court of competent  
19 jurisdiction to be invalid, such judgment shall not affect, impair, or  
20 invalidate the remainder thereof, but shall be confined in its operation  
21 to the clause, sentence, paragraph, subdivision, section or part thereof  
22 directly involved in the controversy in which such judgment shall have  
23 been rendered. It is hereby declared to be the intent of the legislature  
24 that this act would have been enacted even if such invalid provisions  
25 had not been included herein.

26 § 7. This act shall take effect immediately. Effective immediately,  
27 the addition, amendment and/or repeal of any rule or regulation neces-  
28 sary for the implementation of this act on its effective date are  
29 authorized to be made and completed on or before such effective date.