

# STATE OF NEW YORK

5623--A

2023-2024 Regular Sessions

## IN SENATE

March 9, 2023

Introduced by Sens. KRUEGER, BRISPORT, CLEARE, HARCKHAM, RAMOS, SALAZAR -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary -- recommitted to the Committee on Judiciary in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the judiciary law and the civil practice law and rules, in relation to the purchase of claims by corporations or collection agencies and to certain instruments calling for payment of a monetary obligation by a foreign state

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

1 Section 1. Legislative intent. The intended purpose of this act is to  
2 restore the champerty defense in sovereign debt lawsuits for claims  
3 greater than \$500,000 with respect to suits brought by litigious holdout  
4 investors. The restoration is not intended to apply to conventional and  
5 generally cooperative investors who may occasionally choose to sue,  
6 where "conventional investors" includes investors that regularly buy and  
7 hold sovereign debt purchased in the primary market and "cooperative  
8 investors" includes distressed debt investors that regularly purchase  
9 debt at a discount in the secondary market and have a record of support-  
10 ing the consensual resolution of sovereign debt distress through serving  
11 as a member of creditor committees or by generally participating in  
12 transactions accepted by other creditors following a negotiation.

13 § 2. Subdivision 2 of section 489 of the judiciary law, as added by  
14 chapter 394 of the laws of 2004, is amended to read as follows:

15 2. Except as set forth in subdivision three of this section, the  
16 provisions of subdivision one of this section shall not apply to any  
17 assignment, purchase or transfer hereafter made of one or more bonds,  
18 promissory notes, bills of exchange, book debts, or other things in  
19 action, or any claims or demands, if such assignment, purchase or trans-

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

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1 fer included bonds, promissory notes, bills of exchange and/or book  
2 debts, issued by or enforceable against the same eligible obligor  
3 (whether or not also issued by or enforceable against any other eligible  
4 obligors), having an aggregate purchase price of at least five hundred  
5 thousand dollars, in which event the exemption provided by this subdivi-  
6 sion shall apply as well to all other items, including other things in  
7 action, claims and demands, included in such assignment, purchase or  
8 transfer (but only if such other items are issued by or enforceable  
9 against the same eligible obligor, or relate to or arise in connection  
10 with such bonds, promissory notes, bills of exchange and/or book debts  
11 or the issuance thereof). For the purposes of this subdivision, the  
12 term "eligible obligor" means an obligor other than (i) the government  
13 of any foreign country or of any political subdivision of a foreign  
14 country, or (ii) an issuer of a bond, loan, or debt instrument guaran-  
15 teed by the government of any foreign country or of any political subdivi-  
16 vision of a foreign country.

17 § 3. Section 489 of the judiciary law is amended by adding a new  
18 subdivision 4 to read as follows:

19 4. For purposes of subdivision one of this section, an assignee's  
20 intent and purpose in taking an assignment of a claim against an obligor  
21 that is not an eligible obligor may be inferred from the history of the  
22 assignee's (and its affiliates') behavior in transactions involving the  
23 debts of other obligors including, but not limited to, whether that  
24 history indicates a pattern of either (a) participating in good faith  
25 alongside other creditors in consensual resolutions of such situations  
26 or (b) acquiring claims against such obligors at a significant discount  
27 from face value, refusing to participate in consensual workouts and  
28 instead resorting to legal enforcement of the acquired claims. A court  
29 shall consider such other facts and circumstances related to the acqui-  
30 sition of the claims or the assignee's overall business activities in  
31 the debt of any government or political subdivision of a foreign country  
32 as it may find relevant in assessing the assignee's intent and purpose.

33 § 4. Section 5004 of the civil practice law and rules, as amended by  
34 chapter 831 of the laws of 2021, is amended to read as follows:

35 § 5004. Rate of interest. (a) Interest shall be at the rate of nine  
36 per centum per annum, except where otherwise provided by statute;  
37 provided the annual rate of interest to be paid in an action arising out  
38 of a consumer debt where a natural person is a defendant shall be two  
39 per centum per annum (i) on a judgment or accrued claim for judgments  
40 entered on or after the effective date of [~~the~~] chapter 831 of the laws  
41 of two thousand twenty-one [~~which amended this section~~], and (ii) for  
42 interest upon a judgment pursuant to section five thousand three of this  
43 article from the date of the entry of judgment on any part of a judgment  
44 entered before the effective date of [~~the~~] chapter 831 of the laws of  
45 two thousand twenty-one [~~which amended this section~~] that is unpaid as  
46 of such effective date.

47 (b) For actions or proceedings commenced after May fifteenth, two  
48 thousand twenty-four, excluding actions or proceedings with respect to  
49 payment defaults that occurred before May fifteenth, two thousand twen-  
50 ty-four, the annual rate of interest to be paid in an action arising out  
51 of a claim against (i) a government of any foreign country or of any  
52 political subdivision of a foreign country, or (ii) an issuer of a bond,  
53 loan, or debt instrument guaranteed by the government of any foreign  
54 country or of any political subdivision of a foreign country as a  
55 defendant shall be equal to the weekly average one-year constant maturi-  
56 ty treasury yield, as published by the Board of Governors of the Federal

1 Reserve System, for the calendar week proceeding the date of entry of  
2 the judgment awarding damages (28 U.S.C. §1961(a)). For the purpose of  
3 this subdivision, a "claim against a foreign state" means a payment  
4 claim against a foreign state for monies borrowed or for the foreign  
5 state's guarantee of, or other contingent obligation on, monies  
6 borrowed; the term "monies borrowed" shall include the following, wheth-  
7 er or not it represents the borrowing of money: monies owing  
8 under bonds; debentures; notes, or similar instruments of original matu-  
9 rity of at least one year; monies owing for the deferred purchase  
10 price of property or services, other than trade accounts payable arising  
11 in the ordinary course of government operations; monies owing on  
12 capitalized lease obligations; monies owing on or with respect to  
13 letters of credit, bankers' acceptances, or other extensions of credit  
14 of original maturity of at least one year.

15 (c) For the purpose of this section "consumer debt" means any obli-  
16 gation or alleged obligation of any natural person to pay money arising  
17 out of a transaction in which the money, property, insurance or services  
18 which are the subject of the transaction are primarily for personal,  
19 family or household purposes, whether or not such obligation has been  
20 reduced to judgment, including, but not limited to, a consumer credit  
21 transaction, as defined in subdivision (f) of section one hundred five  
22 of this chapter.

23 [~~e~~] (d) This section does not affect or create any rights or reme-  
24 dies related to any amounts paid prior to the effective date of this  
25 subdivision, including amounts paid to satisfy judgments or to accrued  
26 interest or fees paid, or with respect to judgments satisfied prior to  
27 the effective date of this subdivision. For amounts paid prior to the  
28 effective date of this subdivision and lawfully applied in satisfaction  
29 or partial satisfaction of interest or fees accrued prior to the effec-  
30 tive date of this subdivision, this section shall not be construed to  
31 require a judgment creditor or sheriff to (i) return or refund such  
32 amounts to judgment debtors; or (ii) apply such payments to satisfy any  
33 part of a money judgment other than fees or interest upon judgment  
34 pursuant to section five thousand three of this article.

35 [~~d~~] (e) If any word, phrase, clause, sentence, paragraph, subdivi-  
36 sion, or part of this section or its application to any person or  
37 circumstance is held invalid by any court of competent jurisdiction  
38 after exhaustion of all further judicial review, the invalidity shall  
39 not affect, impair, or invalidate the remainder of this section or  
40 applications of this article which can be given effect without the  
41 invalid provision or application, and to this end the provisions of this  
42 section are severable.

43 § 5. This act shall take effect immediately.