

# STATE OF NEW YORK

11513

## IN ASSEMBLY

May 28, 2026

Introduced by COMMITTEE ON RULES -- (at request of M. of A. Septimo) --  
read once and referred to the Committee on Banks

AN ACT to amend the banking law, the state finance law and the general  
municipal law, in relation to enacting the "bank of New York city act"

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

1 Section 1. Short title. This act shall be known and may be cited as  
2 the "bank of New York city act".

3 § 2. Legislative intent. 1. It is the intent of the legislature that  
4 this act (i) authorizes cities having a population of one million or  
5 more to form and control a municipal public bank established pursuant to  
6 article three-C of the banking law, and to loan or grant public funds or  
7 lend public credit to such public bank for the public purposes of  
8 achieving cost savings, strengthening local economies, supporting commu-  
9 nity economic development, and addressing infrastructure and housing  
10 needs; and (ii) codifies the common law interpretation of the constitu-  
11 tion of the state of New York that cities, counties, and other munici-  
12 palities may own stock or other ownership interests in, and lend or  
13 grant money to, public and private corporations, limited liability  
14 companies or not-for-profit corporations, so long as such actions are  
15 pursuant to public purposes.

16 2. It is also the intent of the legislature that a municipal public  
17 bank established pursuant to article three-C of the banking law shall  
18 partner with local financial institutions, such as credit unions, commu-  
19 nity development financial institutions, and local community banks, and  
20 shall originate, participate, and service loans in a manner consistent  
21 with federally certified community development financial institutions,  
22 prioritizing underserved and economically distressed communities.

23 § 3. Subdivisions 1 and 11 of section 2 of the banking law, subdivi-  
24 sion 1 as amended by chapter 684 of the laws of 1938 and subdivision 11  
25 as amended by chapter 154 of the laws of 2007, are amended to read as  
26 follows:

27 1. Bank. The term, "bank," when used in this chapter, unless a differ-  
28 ent meaning appears from the context, means any corporation, other than

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

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1 a trust company, organized under or subject to the provisions of article  
2 three or three-C of this chapter.

3 11. Banking organizations. The term, "banking organizations," when  
4 used in this chapter, means and includes all banks, trust companies,  
5 private bankers, savings banks, safe deposit companies, savings and loan  
6 associations, credit unions, banks organized under article three-C of  
7 this chapter and investment companies.

8 § 4. The banking law is amended by adding a new article 3-C to read as  
9 follows:

10 ARTICLE 3-C  
11 MUNICIPAL PUBLIC BANKS

12 Section 156. Definitions.

13 156-a. Sponsors and corporate structure.

14 156-b. Permitted activities.

15 156-c. Governance.

16 156-d. Charter requirements.

17 156-e. Financial and operations framework.

18 156-f. Transparency and financial reporting.

19 156-g. Rehabilitation.

20 156-h. Deposits.

21 156-i. Policy mandate.

22 156-j. Ethics and financial disclosure.

23 156-k. Inconsistency with other laws.

24 156-l. Owners not to be considered bank holding companies.

25 § 156. Definitions. For the purposes of this article, the following  
26 terms shall have the following meanings:

27 1. "Affiliate" shall mean: (a) any member of the immediate family of a  
28 member of the board of directors, including parents, siblings, spouses  
29 and children (including those by adoption), any other person who lives  
30 in such member of the board of directors' household, and any legal  
31 representative or guardian of a family member of such member of the  
32 board of directors;

33 (b) any trust whose primary beneficiary is a member of the board of  
34 directors, or one or more members of such immediate family and/or such  
35 member of the board of directors' lineal descendants; or

36 (c) another person that, directly or indirectly through one or more  
37 intermediaries, controls, or is controlled by, or is under common  
38 control with a member of the board of directors. For the purposes of  
39 this paragraph, the term "control" shall mean possession, directly or  
40 indirectly, of the power to direct or cause the direction of management  
41 or policies, whether through ownership of securities or any partnership  
42 or other ownership interest, by contract or otherwise, of a person. Such  
43 control shall be presumed to exist where a person owns a ten percent or  
44 greater ownership interest in another person.

45 2. "Charter application documents" shall mean a business plan and  
46 application to be submitted to the department pursuant to section one  
47 hundred fifty-six-d of this article for the purpose of chartering a  
48 municipal public bank.

49 3. "Community bank" shall mean any locally owned and managed independ-  
50 ent banking institution with no national presence, primarily operating  
51 within the sponsoring city.

52 4. "Commercial bank" shall mean any for-profit financial institution  
53 engaged in the commercial banking business, including, but not limited  
54 to, a banking institution, trust company, private banker, national bank-

1 ing association, or any banking corporation organized under federal law  
2 or the laws of any state of the United States. Commercial banks also  
3 include any corporation organized under the laws of any foreign country  
4 and engaged in the commercial banking business that maintains a branch  
5 or agency licensed by any state of the United States or the comptroller  
6 of the currency.

7 5. "Community banking experience" shall mean at least five years of  
8 current or past employment experience as an officer, director or execu-  
9 tive at (a) a community development financial institution that is a  
10 credit union, loan fund, minority depository institution, or union-cont-  
11 rolled bank, which has the primary mission of improving social and/or  
12 economic conditions of underbanked, underserved, or economically  
13 distressed communities; or (b) a credit union, loan fund, minority  
14 depository institution, or union-controlled bank, any of which shall  
15 have the primary mission of improving social and/or economic conditions  
16 of underbanked, underserved, or economically distressed communities.

17 6. "Community development financial institution" or "CDFI" shall mean  
18 an entity that has been certified as meeting the eligibility require-  
19 ments of section 1805.201 of title 12 of the code of federal regu-  
20 lations.

21 7. "Deposit" shall mean the placing of money with a municipal public  
22 bank to be withdrawn upon the depositor's demand or under the rules and  
23 regulations agreed upon between the municipal public bank and the depos-  
24 itor.

25 8. "Economically distressed communities" shall mean a census tract or  
26 a group of contiguous census tracts that meet at least one of the  
27 following objective criteria of economic distress, as reported in the  
28 most recently completed decennial census published by the U.S. bureau of  
29 the census:

30 (a) the percentage of the population living in poverty is at least  
31 twenty percent; or

32 (b) the median family income shall be at or below eighty percent of  
33 the area median family income or the national metropolitan area median  
34 family income, whichever is greater.

35 9. "Federal credit union" shall have the same meaning as ascribed to  
36 such term by subsection one of section 1752 of title 12 of the United  
37 States code.

38 10. "Independent" shall mean, with respect to a member of the board of  
39 directors, advisory board, or officers of the municipal public bank, an  
40 individual who:

41 (a) at the time of such individual's appointment to the board of  
42 directors or the advisory board, is not a holder of any public office  
43 within the sponsor; and

44 (b) within the past five years has not been a holder of public office  
45 within such sponsor.

46 11. "Local agency" shall have the same meaning as ascribed to such  
47 term by subdivision twelve of section eight hundred ten of the general  
48 municipal law.

49 12. "Local agency banking" shall mean (a) accepting a deposit of any  
50 kind from a local agency within the sponsor, or (b) granting a loan or  
51 extension of credit of any kind to a local agency within the sponsor.

52 13. "Local financial institution" shall mean (a) a community develop-  
53 ment financial institution that is a credit union, loan fund, minority  
54 depository institution, union-controlled bank, locally based community  
55 bank, or (b) a credit union, loan fund, minority depository institution,

1 union-controlled bank or community bank that otherwise serves low-in-  
2 come, rural or other underserved or economically distressed communities.

3 14. "Local elected official" shall mean any officer elected to a posi-  
4 tion within a county, city, town, village, school district or district  
5 corporation, or any agency, department, division, board, commission or  
6 bureau thereof; provided, that such term shall not include any judge or  
7 justice of a court.

8 15. "Officer" shall mean an individual holding a managerial or execu-  
9 tive position within the municipal public bank and managing its day-to-  
10 day operations, including roles such as chief executive officer, chief  
11 financial officer, or chief operations officer.

12 16. "Participation lending" shall mean an arrangement under which the  
13 municipal public bank and one or more other regulated financial insti-  
14 tutions jointly fund a single loan, with one such regulated financial  
15 institution originating and servicing the loan and one or more other  
16 regulated financial institutions acquiring a participation interest in  
17 the loan.

18 17. "Policy mandate" shall mean a written declaration of an organiza-  
19 tion's core public purpose. Policy mandates should remain relatively  
20 unchanged over time, separate and identify priorities if there are more  
21 than one, identify desired outcomes, and communicate the entire organ-  
22 ization's intended direction. Policy mandates could advance worker coop-  
23 eratives, community land trusts, low-income and affordable housing,  
24 renewable energy, infrastructure development, small businesses, small  
25 farms, minority- and women-owned business enterprises, students in need  
26 of low-cost education financing or refinancing student loan debts, and  
27 other initiatives that serve a public purpose.

28 18. "Public funds" shall mean funds from any government entity or  
29 subdivision thereof.

30 19. "Retail banking" shall mean providing financial products and  
31 services to individuals for household, family, and other personal  
32 expenditures. These products and services include savings and checking  
33 accounts, consumer loans, credit cards, auto loans, student loans, and  
34 loans to individuals secured by their personal residences, including  
35 first mortgage, home equity, and home improvement loans.

36 20. "Sponsor" shall mean a city having a population of one million or  
37 more that establishes a municipal public bank pursuant to this article.

38 21. "Wholesale lending" shall mean granting a loan or extension of  
39 credit to a local financial institution or local agency.

40 § 156-a. Sponsors and corporate structure. 1. Any city having a popu-  
41 lation of one million or more, as determined by the most recent federal  
42 decennial census, may, by local law or resolution, establish a corpo-  
43 ration and designate it as a municipal public bank, subject to charter  
44 approval by the superintendent pursuant to this article.

45 2. A municipal public bank may be a not-for-profit corporation, a  
46 limited liability company or a business corporation that is formed by a  
47 sponsor, subject to the following corporate structure requirements:

48 (a) If incorporated as a business corporation, a municipal public bank  
49 may, but is not required to:

50 (i) incorporate as a public benefit corporation under article seven-  
51 teen of the business corporation law; or

52 (ii) identify in its certificate of incorporation a specific public  
53 benefit, consistent with the provisions of article seventeen of the  
54 business corporation law.

55 Specific public benefits within the meaning of this section shall  
56 include, but are not limited to, strengthening local economies, support-

1 ing community economic development, addressing infrastructure and hous-  
2 ing needs for localities and providing banking services to unbanked or  
3 underbanked communities.

4 (b) The sponsor shall be (i) the sole member of a not-for-profit  
5 public bank, (ii) the majority and controlling member of a limited  
6 liability company public bank, and (iii) the majority and controlling  
7 shareholder of a corporation public bank.

8 (c) A municipal public bank organized as a limited liability company  
9 or corporation may have other members or shareholders, but such other  
10 members or shareholders shall only be passive members or shareholders  
11 and shall not have any consent or veto rights over any decisions, any  
12 removal rights of the sponsor, any rights to elect or choose the board  
13 or any voting rights whatsoever.

14 (d) Passive members or passive shareholders shall be allowed to invest  
15 capital into a public bank so long as such passive members or passive  
16 shareholders are approved by the sponsor and the sponsor maintains the  
17 right to direct the municipal public bank to purchase the interests of  
18 any passive members or shareholders at a market price determined by an  
19 independent third party selected by the sponsor at any time.

20 (e) The sponsor shall owe no fiduciary duty nor any other duty to  
21 passive investors. No passive investor may pursue legal action against  
22 the sponsor for any reason other than failure to distribute funds  
23 required to be distributed pursuant to governing documents of the munic-  
24 ipal public bank.

25 § 156-b. Permitted activities. 1. The public bank shall have all the  
26 rights and powers conferred by articles three and fifteen of this chap-  
27 ter, which shall be exercised in a manner consistent with its mission.  
28 The public bank may limit and define its rights and powers in the char-  
29 ter that it submits pursuant to section one hundred fifty-six-c of this  
30 article, but it is the intention to grant any municipal public bank  
31 created under this law the full rights and powers that any bank would be  
32 permitted to exercise under New York's banking laws, subject to those  
33 limitations set forth in this article and approved by the department;  
34 provided, however, that a municipal public bank shall not engage in  
35 retail banking, shall not accept deposits from the general public, and  
36 shall not establish or operate physical or digital facilities or plat-  
37 forms for the purpose of providing banking services directly to individ-  
38 ual consumers, except as expressly authorized by law.

39 2. Within the overall underwriting and financial policies of the  
40 public bank, such public bank shall maximize and prioritize loans  
41 supporting worker cooperatives, community land trusts, low-income and  
42 affordable housing, renewable energy, infrastructure development, small  
43 businesses, small farms, minority- and women-owned business enterprises,  
44 students in need of low-cost education financing or refinancing student  
45 loan debts, and other initiatives that fulfill the public bank's  
46 mission, with a focus on serving underserved and underbanked communi-  
47 ties, as well as those within economically distressed communities.

48 § 156-c. Governance. 1. A municipal public bank established pursuant  
49 to this article shall be governed by a board of directors. Such board  
50 shall be composed of nine voting members. All members shall serve a term  
51 of four years. The chief executive officer of the sponsoring city shall  
52 designate one of their appointees as chair. Each member shall reside  
53 within the jurisdictional boundaries of the sponsoring city. Upon a  
54 majority vote, the board of directors shall appoint officers. Such board  
55 shall set policy for the municipal public bank, provided that neither  
56 the board nor any director shall be involved in the day-to-day oper-

1 ations of the municipal public bank. Decisions made by such board shall  
2 be consistent with the policy mandate as described in section one  
3 hundred fifty-six-i of this article.

4 2. The board of directors shall adopt governing bylaws and procedures.

5 3. The nine voting members shall be appointed as follows:

6 (a) the chief executive officer of the sponsoring city shall appoint  
7 four voting members. At least two such members shall have community  
8 banking experience, and at least two shall be independent;

9 (b) the legislative body of the sponsoring city shall appoint three  
10 members. At least two such members shall have community banking experi-  
11 ence, and at least one shall be independent;

12 (c) a citywide elected official of the sponsoring city, as designated  
13 by local law, shall appoint one independent member; provided, however,  
14 that if no such official is designated, the chief executive officer of  
15 the sponsoring city shall appoint such member.

16 (d) the chief fiscal officer of the sponsoring city shall appoint one  
17 voting member. Such member shall have community banking experience and  
18 shall be independent.

19 4. A municipal public bank shall form an advisory board. Such advisory  
20 board shall:

21 (a) be composed of no fewer than fifteen members, each subject to  
22 approval by a majority vote of the board of directors prior to appoint-  
23 ment. The board of directors shall determine the initial membership,  
24 terms, and process for replacement, provided that a majority of the  
25 advisory board shall be independent members who are not governmental  
26 appointees. Each member shall reside within the jurisdictional bounda-  
27 ries of the sponsoring city; and

28 (b) provide advice and carry out duties including, but not limited to:

29 (i) providing input to the board of directors regarding how to advance  
30 the policy mandate described in section one hundred fifty-six-i of this  
31 article;

32 (ii) ensuring that the board of directors follows ethical standards as  
33 established by the sponsoring city in the governing bylaws and proce-  
34 dures, including through a code of conduct;

35 (iii) ensuring that the operations of the municipal public bank are  
36 consistent with any equity or public purpose framework established by  
37 the sponsoring city; and

38 (iv) providing technical advice as needed.

39 5. Any action required or permitted by this article to be taken up by  
40 the board of directors or advisory board may be taken at a duly called  
41 meeting or without a meeting if evidenced by written consent of all  
42 members.

43 § 156-d. Charter requirements. 1. The municipal public bank shall be  
44 chartered by the superintendent pursuant to article fifteen of this  
45 chapter.

46 2. Notwithstanding any conflicting provisions in article fifteen of  
47 this chapter, in addition to the information required by such article,  
48 the municipal public bank charter application documents shall addi-  
49 tionally demonstrate the following:

50 (a) the policy mandate of the proposed municipal public bank is  
51 consistent with the purposes and guidelines set forth under section one  
52 hundred fifty-six-i of this article;

53 (b) minimum initial capitalization is no less than ten percent of the  
54 municipal public bank's projected lending total for the first year of  
55 operation after receipt of its charter;

1 (c) adequate reserves and liquidity exist to cover the municipal  
2 public bank's obligations relating to deposit withdrawals and defaulted  
3 loans;

4 (d) the qualifications of the proposed directors;

5 (e) the qualifications of the proposed chief executive officer and  
6 management team;

7 (f) an organizational chart;

8 (g) policies and procedures prohibiting any member on the board of  
9 directors, or affiliates of such members, from receiving a loan or other  
10 financial benefit from the municipal public bank;

11 (h) procedures for obtaining fidelity insurance;

12 (i) sufficient internal audits and controls;

13 (j) a pro forma financial statement projecting assets, liabilities,  
14 income and expenses for no less than a three-year period;

15 (k) no material negative impact of the municipal public bank on the  
16 sponsor's financial condition;

17 (l) a plan to comply with the community reinvestment act and fair  
18 lending requirements, pursuant to section two hundred ninety-six-a of  
19 the executive law;

20 (m) a description of how the municipal public bank's underwriting,  
21 participation lending, liquidity management, and risk controls are  
22 structured in a manner consistent with federally certified community  
23 development financial institutions, prioritizing underserved and econom-  
24 ically distressed communities;

25 (n) a certificate of incorporation;

26 (o) a narrative business plan describing the banking services to be  
27 provided; and

28 (p) such other information as the superintendent may require.

29 § 156-e. Financial and operations framework. 1. The municipal public  
30 bank may raise capital through:

31 (a) the receipt and leverage of public deposits from the sponsor or  
32 any local agency thereof, the state of New York, and the federal govern-  
33 ment;

34 (b) equity contributions from the sponsor or any local agency thereof,  
35 the state of New York, and the federal government;

36 (c) the sale of debt securities and other obligations to the sponsor  
37 or any local agency thereof, the state of New York, and the federal  
38 government; and

39 (d) the sale of debt securities and other obligations to third  
40 parties.

41 2. The capital structure, liquidity management, and deployment of  
42 funds by the municipal public bank shall be designed and administered in  
43 a manner consistent with federally certified community development  
44 financial institutions, prioritizing underserved and economically  
45 distressed communities.

46 3. The municipal public bank shall be exempt from any taxes imposed by  
47 the state or any political subdivision thereof.

48 4. The sponsor and any local agency thereof are authorized to deposit  
49 funds with, and make grants or loans to, the municipal public bank, upon  
50 such terms as may be necessary to advance the purposes of this article.

51 5. The municipal public bank shall not be sold to or merged with  
52 another entity unless such entity has a public bank charter and the sale  
53 or merger has been approved by the superintendent.

54 § 156-f. Transparency and financial reporting. 1. The municipal public  
55 bank shall, on or before the first day of February of each year, submit  
56 to the governor, the state legislature, the mayor of the sponsor, the

1 legislative body of the sponsor, and the chief fiscal officer of the  
2 sponsor a detailed report setting forth its operations and fiscal trans-  
3 actions during the preceding calendar year with a statement of its  
4 financial condition as of the end of such year and a statement of all  
5 receipts and expenditures during such year.

6 2. The municipal public bank advisory board shall include in such  
7 annual report an evaluation of the municipal public bank's performance  
8 in relation to its policy mandate, its ethical standards, and its finan-  
9 cial soundness.

10 3. The municipal public bank shall undergo two annual independent  
11 audits, one overseen by the superintendent and one overseen by the state  
12 comptroller.

13 § 156-g. Rehabilitation. 1. The superintendent shall have the authori-  
14 ty to take possession of the municipal public bank pursuant to section  
15 six hundred six of this chapter.

16 2. The sponsor or any subdivision thereof shall be prohibited from  
17 taking any action to suspend or dissolve the municipal public bank with-  
18 out prior approval from the superintendent.

19 § 156-h. Deposits. 1. The municipal public bank shall be eligible to  
20 be designated as a depository for public funds of the sponsor and any  
21 local agency thereof.

22 2. Public funds may be deposited in a municipal public bank, notwith-  
23 standing section ten of the general municipal law. A municipal public  
24 bank shall not be required to obtain federal deposit insurance with  
25 respect to the acceptance of public funds.

26 3. The chief fiscal officer of the sponsor, or such other officer or  
27 agency as may be authorized by local law, shall be authorized to deposit  
28 public funds in the municipal public bank, provided that the municipal  
29 public bank's business plan permits the sponsor to meet its short or  
30 intermediate-term liquidity needs.

31 § 156-i. Policy mandate. 1. The board of directors shall establish the  
32 municipal public bank's policy mandate, subject to approval by the chief  
33 executive officer of the sponsor and the legislative body of the spon-  
34 sor.

35 2. The municipal public bank shall carry out its policy mandate in a  
36 manner consistent with any racial equity, public purpose, or comprehen-  
37 sive planning framework established by the sponsoring city pursuant to  
38 local law.

39 § 156-j. Ethics and financial disclosure. 1. Every member of the board  
40 of directors and advisory board and every officer of the municipal  
41 public bank shall submit an annual financial disclosure form, on the  
42 form described in subdivision three of section seventy-three-a of the  
43 public officers law, or on a substantially equivalent form, to the  
44 appropriate ethics or public integrity office of the sponsor, as desig-  
45 nated by local law and provided to the municipal public bank.

46 2. Notwithstanding any conflicting provision in this article to the  
47 contrary, every board of directors member, advisory board member, and  
48 officer shall adhere to the ethical standards established in section  
49 seventy-four of the public officers law.

50 § 156-k. Inconsistency with other laws. The municipal public bank  
51 shall comply with all requirements of this chapter, the financial  
52 services law, the state finance law, the local finance law, the general  
53 municipal law, the not-for-profit corporation law, and all other rele-  
54 vant provisions of state or local law, except to the extent that a  
55 requirement of any of those laws is inconsistent with a provision of

1 this article, in which case the provisions of this article shall  
2 prevail.

3 § 156-1. Owners not to be considered bank holding companies. For the  
4 purposes of section one hundred forty-one of this chapter, the sponsor  
5 of the municipal public bank shall not be considered a bank holding  
6 company by reason of that ownership interest.

7 § 5. Section 98 of the state finance law is amended by adding a new  
8 subdivision 7-a to read as follows:

9 7-a. Commercial paper, debt securities, bonds, notes or other obli-  
10 gations of the municipal public bank, as established by article three-C  
11 of the banking law.

12 § 6. Paragraph d of subdivision 1 of section 10 of the general municipi-  
13 pal law, as amended by chapter 623 of the laws of 1998, is amended to  
14 read as follows:

15 d. "Bank" shall mean a bank [~~as defined by~~] organized under or subject  
16 to the banking law, including a municipal public bank established pursu-  
17 ant to article three-C of such law, or a national banking association  
18 located and authorized to do business in New York.

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

28 § 8. This act shall take effect immediately.