

STATE OF NEW YORK

8769

2025-2026 Regular Sessions

IN ASSEMBLY

June 2, 2025

Introduced by M. of A. TAPIA -- read once and referred to the Committee on Economic Development

AN ACT to amend the economic development law, in relation to enacting "the New York state credit risk transparency and investor protection 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 "New York
2 state credit risk transparency and investor protection act".

3 § 2. The economic development law is amended by adding a new section
4 103-a to read as follows:

5 § 103-a. State bond security. 1. For the purposes of this section,
6 the following terms shall have the following meanings:

7 (a) "credit risk decay" shall mean the natural reduction in the like-
8 likelihood of bond default over time, resulting from the bond's amorti-
9 zation, improved issuer performance, or external economic factors that
10 reduce default risk;

11 (b) "material credit event" shall mean any event that significantly
12 impacts the issuer's ability to meet its obligations, including but not
13 limited to:

14 (i) changes in federal funding, including but not limited to Medicaid
15 cuts or infrastructure funding reductions;

16 (ii) tariffs, trade policy changes, or other external economic factors
17 that may alter the bond issuer's financial position; or

18 (iii) any significant modification of legal obligations that affects a
19 bond's performance;

20 (c) "risk reconciliation statement" shall mean a quarterly report
21 filed by an issuer of bonds, which provides an update on the bond's
22 credit risk, including but not limited to:

23 (i) changes in credit ratings;

24 (ii) material credit events affecting bond performance; and

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

LBD13079-02-5

1 (iii) yield-to-maturity drift and other relevant credit performance
2 metrics;

3 (d) "yield-to-maturity drift" or "YTM drift" shall mean the change in
4 the yield of a bond over time due to shifts in the credit quality of the
5 issuer, and the collateral or external credit factors, that impact such
6 bond's risk profile and valuation;

7 (e) "fixed point scale" shall mean a standardized method used to
8 assess the bond's current performance by comparing its original credit
9 risk rating to the bond's current risk profile, including, but not
10 limited to, yield-to-maturity drift and credit rating shifts;

11 (f) "investor right of action for value destruction" shall mean the
12 legal right of an investor to seek damages if the bond issuer fails to
13 disclose material credit events or if a bond's credit risk deteriorates
14 without proper disclosure, resulting in financial harm to the investor;
15 and

16 (g) "material deviation" shall mean a significant change in a bond's
17 creditworthiness that differs from the issuer's original projections or
18 credit ratings, including, but not limited to, a drop in credit rating
19 or significant change in market price or arm's-length valuation due to a
20 material credit event.

21 2. It shall be unlawful for any broker, dealer, or municipal securi-
22 ties dealer to issue state or municipal bonds unless such broker or
23 dealer is in compliance with the requirements of this section.

24 3. All issuers of state and municipal state-backed bonds within the
25 state shall file a quarterly risk reconciliation statement with the
26 department in accordance with a filing schedule to be promulgated by the
27 department. Such statements shall include, but not be limited to, the
28 following:

29 (a) the name and address of the issuing authority;

30 (b) the name and purpose of the project or projects the fund is to be
31 used for;

32 (c) the offering price, interest rate, selling compensation, aggregate
33 principal amount, principal amount per maturity, and delivery dates of
34 each bond;

35 (d) up-to-date credit risk projections and bond ratings;

36 (e) yield-to-maturity drift and its implications on bond valuation;

37 (f) any material credit events which have occurred or have impacted
38 the issuer's credit risk during the relevant quarter; and

39 (g) any other disclosures required by state or federal law.

40 4. Notwithstanding any laws to the contrary, the department of econom-
41 ic development shall create a searchable database, or modify an existing
42 one, displaying the quarterly risk reconciliation statements of each
43 state-backed bond issuer within the state.

44 5. In addition to disclosure on quarterly statements, issuers shall
45 disclose any material credit events to its bond-holders and the depart-
46 ment within thirty days of such event. Such disclosure shall include
47 notice of any of the following events with respect to the bonds issued:

48 (a) principal and interest payment delinquencies;

49 (b) non-payment related defaults, if material;

50 (c) unscheduled draws on debt services reserved reflecting financial
51 difficulties;

52 (d) unscheduled draws on credit enhancements reflecting financial
53 difficulties;

54 (e) modifications to rights of security holders, if material;

55 (f) bond calls, if material; or

56 (g) credit or bond rating changes.

1 6. (a) Where an issuer, dealer, or broker of state or municipal state-
2 backed bonds fails to disclose a material credit event or to update such
3 issuer, dealer, or broker's risk assessments on its quarterly risk
4 reconciliation statement, as required by this section, an investor or
5 bond-holder injured by such violation of this section may bring suit in
6 such investor or bond-holder's own name. Judgment may be entered in the
7 amount of actual damages reflecting the difference between the actual
8 amount paid for the bond and the fair market value of such bond, for
9 rescission of the bond purchase, upon which the issuer shall refund the
10 investor's original investment, or both such actions.

11 (b) An investor or bond-holder shall have standing to bring an action
12 for violation of this section if such person can demonstrate that a
13 material deviation in bond performance occurred after such bond's issu-
14 ance and that such deviation was not disclosed in a timely manner in
15 violation of this section.

16 7. (a) The department shall have the authority to enforce the require-
17 ments of this section. The department shall, from time to time, conduct
18 audits of risk reconciliation statements filed by issuers.

19 (b) If an issuer is found to have failed to disclose a material credit
20 event or to be materially misrepresenting such issuer's credit risk
21 information, such issuer shall be subject to a civil penalty not to
22 exceed one million dollars.

23 (c) If an issuer is found to be in repeated violation of this section,
24 the department may, in its discretion, temporarily suspend such issuer
25 from the state's public debt market.

26 8. The attorney general may initiate investigations and proceedings
27 against any entity, public, private, or governmental, which causes, by
28 its actions, material devaluation of state-backed bonds which dispropor-
29 tionally harm state-backed debt obligations.

30 § 3. Severability clause. If any clause, sentence, paragraph, subdivi-
31 sion, section or part of this act shall be adjudged by any court of
32 competent jurisdiction to be invalid, such judgment shall not affect,
33 impair, or invalidate the remainder thereof, but shall be confined in
34 its operation to the clause, sentence, paragraph, subdivision, section
35 or part thereof directly involved in the controversy in which such judg-
36 ment shall have been rendered. It is hereby declared to be the intent of
37 the legislature that this act would have been enacted even if such
38 invalid provisions had not been included herein.

39 § 4. This act shall take effect on the one hundred eightieth day after
40 it shall have become a law. Effective immediately, the addition, amend-
41 ment and/or repeal of any rule or regulation necessary for the implemen-
42 tation of this act on its effective date are authorized to be made and
43 completed on or before such effective date.