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 Assembly, do enact as follows:

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

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

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

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

1. Bank. The term, "bank," when used in this chapter, unless a different 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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a trust company, organized under or subject to the provisions of article three **or three-C** of this chapter.

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

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

ARTICLE 3-C
MUNICIPAL PUBLIC BANKS

Section 156. Definitions.
156-a. Sponsors and corporate structure.
156-b. Permitted activities.
156-c. Governance.
156-d. Charter requirements.
156-e. Financial and operations framework.
156-f. Transparency and financial reporting.
156-g. Rehabilitation.
156-h. Deposits.
156-i. Policy mandate.
156-j. Ethics and financial disclosure.
156-k. Inconsistency with other laws.
156-l. Owners not to be considered bank holding companies.

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

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

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

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

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

3. "Community bank" shall mean any locally owned and managed independent banking institution with no national presence, primarily operating within the sponsoring city.

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

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

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

6. "Community development financial institution" or "CDFI" shall mean an entity that has been certified as meeting the eligibility requirements of section 1805.201 of title 12 of the code of federal regulations.

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

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

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

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

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

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

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

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

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

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

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

union-controlled bank or community bank that otherwise serves low-income, rural or other underserved or economically distressed communities.

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

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

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

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

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

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

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

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

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

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

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

(i) incorporate as a public benefit corporation under article seventeen of the business corporation law; or

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

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

ing community economic development, addressing infrastructure and housing needs for localities and providing banking services to unbanked or underbanked communities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) be composed of no fewer than fifteen members, each subject to approval by a majority vote of the board of directors prior to appointment. The board of directors shall determine the initial membership, terms, and process for replacement, provided that a majority of the advisory board shall be independent members who are not governmental appointees. Each member shall reside within the jurisdictional boundaries of the sponsoring city; and

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

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

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

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

(iv) providing technical advice as needed.

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

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

2. Notwithstanding any conflicting provisions in article fifteen of this chapter, in addition to the information required by such article, the municipal public bank charter application documents shall additionally demonstrate the following:

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

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

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

(d) the qualifications of the proposed directors;

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

(f) an organizational chart;

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

(h) procedures for obtaining fidelity insurance;

(i) sufficient internal audits and controls;

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

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

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

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

(n) a certificate of incorporation;

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

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

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

(a) the receipt and leverage of public deposits from the sponsor or any local agency thereof, the state of New York, and the federal government;

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

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

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

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

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

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

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

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

legislative body of the sponsor, and the chief fiscal officer of the sponsor a detailed report setting forth its operations and fiscal transactions during the preceding calendar year with a statement of its financial condition as of the end of such year and a statement of all receipts and expenditures during such year.

2. The municipal public bank advisory board shall include in such annual report an evaluation of the municipal public bank's performance in relation to its policy mandate, its ethical standards, and its financial soundness.

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

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

2. The sponsor or any subdivision thereof shall be prohibited from taking any action to suspend or dissolve the municipal public bank without prior approval from the superintendent.

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

2. Public funds may be deposited in a municipal public bank, notwithstanding section ten of the general municipal law. A municipal public bank shall not be required to obtain federal deposit insurance with respect to the acceptance of public funds.

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

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

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

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

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

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

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

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

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

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

§ 6. Paragraph d of subdivision 1 of section 10 of the general municipal law, as amended by chapter 623 of the laws of 1998, is amended to read as follows:

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

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

§ 8. This act shall take effect immediately.