

NEW YORK STATE ASSEMBLY

Carl E. Heastie, Speaker
Pamela J. Hunter, Chair



2023 ANNUAL REPORT

COMMITTEE ON
Banks



PAMELA J. HUNTER
Assemblywoman 128th District

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STATE OF NEW YORK
ALBANY

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Veterans' Affairs

December 15, 2023

The Honorable Carl E. Heastie
Speaker of the Assembly
State Capitol, Room 349
Albany, NY 12248

Dear Speaker Heastie:

I am pleased to submit the 2023 Annual Report for the Assembly Standing Committee on Banks.

The 2023 Annual Report outlines the Committee's legislative work and other initiatives undertaken during the year, as well as important developments since the close of session. Additionally, the Report provides the Committee's outlook for the 2024 legislative session, where we will continue to protect consumers' financial interests and rights while helping to improve and grow the banking industry across the State.

During this legislative session, the banking industry was rocked by the collapse of Signature Bank and Silicon Valley Bank, in New York and California, respectively. In the wake of the collapses, consumers feared for their savings, and regulators feared the panic would spread and result in bank runs across the state. The NYS Department of Financial Services was able to manage the situation by assuming control of Signature Bank to protect depositors' assets and the broader financial system. The Committee welcomed Superintendent Adrienne Harris for a briefing on such process.

The Committee held hearings on cannabis banking and cryptocurrency this session. The Cannabis Banking Hearing addressed problems that have arisen from the conflict between NYS law, which provides for a legal, adult-use cannabis market, and federal law, which classifies cannabis as a Schedule 1 narcotic. The Cryptocurrency Hearing addressed transparency and security issues in the crypto space and considered improvements to investor and consumer protection. We look forward to establishing legal frameworks to support responsible and robust cannabis and cryptocurrency industries in NYS.

Banking access plays a pivotal role in fostering economic growth in communities. It spurs local entrepreneurship, revitalizes neighborhoods, and promotes minority inclusion in the financial system. As such, the Committee reported legislation to study underbanked and unbanked New Yorkers and propose solutions to improve access to financial services.

I want to offer tremendous thanks to my fellow members of the Assembly Banks Committee for all the time and work that they put into serving the interests of the residents of our State during this challenging year. I would also like to thank the Committee staff for their hard work and dedication.

Finally, I greatly appreciate your leadership and collaboration and look forward to a productive session in 2024.

Very truly yours,

Pamela J. Hunter, Chair
Assembly Banks Committee

2023 ANNUAL REPORT
NEW YORK STATE ASSEMBLY
STANDING COMMITTEE ON BANKS

Pamela J. Hunter
Chair

Banks Committee Members

Majority

David Weprin
Kimberly Jean-Pierre
Rebecca Seawright
Inez Dickens
Clyde Vanel
Grace Lee
Al Taylor
Patrick Burke
Chris Burdick
Steve Stern
Andrew Hevesi
Nader Sayegh
Marianne Buttenschon
Khaleel Anderson
Marcela Mitaynes
Amanda Septimo
Brian Cunningham
Manny De Los Santos
Yudelka Tapia
Jonathan Rivera

Minority

Brian Curran,
Ranking Minority Member

Michael Fitzpatrick
John Lemondes
John K Mikulin
Lester Chang
Ed Flood
David DiPietro
Robert Smullen
Josh Jensen

Staff

Matthew Henning, Assistant Secretary for Program and Policy
Michael Sullivan, Associate Counsel
Gerson Murillo Nunez, Legislative Analyst
Jacob Sherretts, Chair's Policy Chief

TABLE OF CONTENTS

I. Introduction	4
II. Major Issues of 2023	5-8
III. Hearings	9
IV. Banking Committee 2024 Outlook	10
APPENDICES	11-13
APPENDIX A: SUMMARY OF ACTIONS ON ALL BILLS REFERRED TO THE COMMITTEE ON BANKS DURING THE 2022 LEGISLATIVE SESSION	11
APPENDIX B: SUMMARY OF BILLS THAT BECAME LAW	12
APPENDIX C: SUMMARY OF BILLS THAT WERE VETOED	13

I. Introduction

The New York State Assembly Standing Committee on Banks was established to review and initiate legislation that affects financial institutions that operate in New York State.

The Committee's statutory purview includes the Banking Law, the Financial Service Law, the General Obligations Law, the Uniform Commercial Code, and the Personal Property Law. Entities under the Banking Law jurisdiction include banks, credit unions, savings banks, savings and loan associations, licensed lenders, licensed cashers of checks, money transmitters, trust companies, safe deposit companies, bank holding companies, sales finance companies, budget planners, mortgage brokers, mortgage bankers, insurance premium finance agencies, and foreign and private banks. Other entities that engage with NY customers in a financial capacity may also be covered by New York State law and the Banking Committee's purview.

The Banks Committee considers bills to address a broad range of banking concerns, from the perspective of both the industry and consumers. We are aware of the need to maintain a competitive balance among financial institutions, protect customers' interests, provide housing finance, and improve banking regulations and administration. The legislation reported from our Committee reflects as much.

During the 2023 legislative session, the Banks Committee considered 46 bills. The Committee reported 26 of these bills favorably; 16 passed the Assembly; 8 were signed into law and 2 were vetoed.

II. MAJOR ISSUES OF 2023

Underbanked and Distressed Communities

Bills that Passed Both Houses:

A.5516 (Hunter)/S.6270 (Sanders)

Chapter 555 of the Laws of 2023

This law requires DFS to consider whether a community is identified as unbanked or underbanked when establishing Banking Development Districts.

A.6222 (Anderson)/S.6647 (Sanders)

Vetoed – Veto memo 59 of the Laws of 2023

This legislation would establish a working group within DFS to assess the Banking Development District Program and provide recommendations to improve the program.

A.6716 (Hunter)/S.1690-A (Sanders)

Passed Both Houses

This legislation would amend the NY Pursuit Program to increase MWBE participation.

A.7272 (Anderson)/S.6970 (Sanders)

Chapter 600 of the Laws of 2023

This law permits applications for participation in the Business Development District Program regardless of when the applicant opened the branch subject to such application.

Bills that Passed the Assembly Only:

A.6924 (Hunter)/S.5669 (Sanders)

Passed Assembly

This legislation would require DFS to conduct a study on the use of state government payments as a means of encouraging unbanked and underbanked residents of the state to join the banking system.

Bills Reported from Committee:

A.5521 (Hunter)/S.6271 (Sanders)

Reported to Ways to Means

This legislation would authorize minority depository institutions within Banking Development Districts to accept state deposits.

A.6090 (Anderson)/A.6648 (Sanders)

Ordered to Third Reading Rules Cal.261

This legislation would include participation in a Banking Development District as a factor for consideration in a banking institution's performance assessment.

Cryptocurrency

Bills that Passed Both Houses:

A.954 (Vanel)/S.1891 (Sanders)

Vetoed – Veto memo 71 of the Laws of 2023

This legislation would establish the NYS Cryptocurrency and Blockchain Task Force.

Consumer and Lender Affairs

Bills that Passed Both Houses:

A.633 (Stern)/S.2229 (Sanders)

Chapter 102 of the Laws of 2023

This law is a chapter amendment to chapter 698 of the laws of 2022. It ensures veterans who received a mortgage loan through the Serviceman's Readjustment Act of 1944 have been offered veteran-specific mortgage counseling services prior to finalizing the mortgage. This law makes technical changes to require counselors who provide such services to veterans be certified by the US Dept. of Housing and Urban Development. This also allows the NYS Dept. of Veteran Services to promulgate rules and regulations to address potential conflicts of interest between counselors and mortgage companies.

A.1153-A (Vanel)/S.1144-A (Sanders)

Chapter 540 of the Laws of 2023

This law prohibits mortgage lenders from conducting business with any individual or entity which it knows or should have known is acting as a mortgage banker or a mortgage broker without being licensed or registered by DFS.

A.5286-A (Epstein)/S.5056-A (Thomas)

Passed Both Houses

This legislation establishes a private education debt registry in New York operated and maintained by DFS.

A.7376 (Weprin)/S.7369 (Sanders)

Chapter 581 of the Laws of 2023

This law allows for the electronic delivery of premium financing notices.

A.7388 (Peoples-Stokes)/S.1047-A (Cooney)

Chapter 647 of the Laws of 2023

This law requires OCM to share data relating to its applicants and licensees with financial institutions upon such applicant or licensee's consent.

A.7675 (Hunter)/S.6930 (Sanders)

Chapter 274 of the Laws of 2023

This legislation aims to resolve issues surrounding exempted entities like national banks engaging in check cashing operations at separate locations outside their regular banking activities. To promote fair competition between exempt banking entities and non-exempted check cashers, the bill extends the 3/5-mile distance requirement for exempted financial institutions until 2025.

Bills Reported from Committee:

A.1578-A (Wallace)/S.6545 (Kennedy)

Reported to Rules

This legislation requires any funds left in a joint or survivorship account after the depositor's death to be considered as part of the depositor's estate.

A.4125 (Cunningham)/S.5401 (Holyman-Sigal)

Reported to Rules

This legislation prohibits state-chartered banks from making investments in landlords who have been convicted or entered a consent decree for their involvement in unlawful activities such as harassment, fraud, or coercion.

A.6358-A (Weprin)/No Same As

Advanced to Third Reading Cal.214

This bill prohibits lenders from revoking or otherwise blocking existing lines of credit against a borrower's home equity provided that the borrower is current on such payments.

A.6601 (Reyes)/S.205 (Cleare)

Ordered to Third Reading Rules Cal.170

This bill prohibits state-chartered banks from investing in or providing financing to entities that own or operate private prisons that are prohibited under Sec. 121 of corrections law.

A.7421 (Hunter)/S.6255-A (Addabbo)

Reported to Ways and Means

This bill allows the state to deposit funds in credit unions, up to \$250 million per credit union.

DFS Directives

Bills that Passed Both Houses:

A.5519 (Hunter)/S.5972 (Sanders)

Chapter 556 of the Laws of 2023

This law requires DFS to promulgate rules and regulations regarding the processing of debit and credit transactions, insufficient fund fees, uncollected balance fees, and customer notices regarding the imposition or potential imposition of fees.

A.7172 (Seawright)/S.6920 (Sanders)

Chapter 155 of the Laws of 2023

This law extends the Superintendent of the Department of Financial Services' authority to allow licensees to impose an annual fee on open ended loans (such as lines of credit) if the fee is limited to either 1% of the loan or \$50.

Bills that Passed the Assembly Only:

A.1476 (Weprin)/S.6805 (Sanders)

Passed Assembly

This bill requires DFS to promulgate rules and regulations requiring licensed check cashing entities to file suspicious activity reports (SARs).

A.7353 (Hunter)/S.6982 (Sanders)

Passed Assembly

This bill provides wild card parity powers to state-chartered banks, allowing them to exercise the same powers as an out-of-state-chartered bank, subject to DFS approval.

Bills Reported from Committee:

A.7428-A (Hunter)/S.7532 (Sanders)

Ordered to Third Reading Rules Cal. 662

This bill modernizes the procedure for removing or suspending directors, trustees, officers, and members or partners of financial institutions.

A.4177 (Hunter)/No Same As

Reported to Codes

This bill requires the Department of Financial Services (DFS), Office for the Aging, the Attorney General (AG), and representatives from external organizations to establish guidelines regarding the reporting of suspected financial exploitation.

A.5053 (Vanel)/No Same As

Reported to Codes

This bill establishes DFS regulation and oversight over earned income access services in the state.

III. HEARINGS

Cannabis Banking in New York State

May 11th, 2023

Recreational adult-use cannabis is now legal to cultivate, process, distribute, and sell to adults 21-years of age and older in New York State. However, cannabis is still classified as a Schedule 1 controlled substance at the federal level, which restricts marijuana-related businesses' access to federally regulated banks and financial services. These challenges impact both the legal marijuana-related businesses and the banks seeking to provide services.

At the Cannabis Banking Hearing, stakeholders highlighted the challenges marijuana-related businesses face because of limited access to banking services. The Office of Cannabis Management discussed the high costs and regulatory barriers for financial institutions seeking to enter the market. Representatives from various banking associations and credit unions stressed the inconsistencies in federal policy and the need for more guidance from the Department of Financial Services (DFS). Stakeholders called for the SAFE Banking Act to protect financial institutions operating in states where cannabis is legal, emphasizing problems related to cash reliance, the lack of diversity in banking services, and the need for reduced taxation and increased capital access to compete with the illicit market.

This hearing underscored the need for state solutions given the lack of federal leadership in the cannabis space. DFS acknowledged the industry's challenges and committed to exploring state-level solutions to facilitate the provision of safe and sound banking services for marijuana-related businesses. As the conversation evolves, collaboration will remain imperative for the development of this industry.

Examining the Transparency and Security of the Cryptocurrency Industry

May 25th, 2023

In recent years, cryptocurrencies have rapidly grown in popularity, leading to increased attention from investors and traders. However, cryptocurrencies are less regulated than the traditional financial system, raising concerns about transparency, stability, money laundering, and illicit activity. Last year's collapse of the cryptocurrency exchange FTX demonstrated the need for greater oversight of the industry.

At the Cryptocurrency Hearing, DFS emphasized the agency's robust regulatory framework, including the BitLicense and the Limited Purpose Trust Company Charter, while identifying priorities including consumer protection, proactive supervision, and collaboration with law enforcement. The Attorney General's Office (AG) advocated for the CRPTO Act, aiming to address gaps in the current regulatory framework and promote collaboration between the AG and DFS.

Representatives from the industry supported current DFS regulations, cautioning against additional regulations that could stifle innovation. Meanwhile, consumer advocacy groups supported increased regulation to protect vulnerable investors, particularly seniors and communities of color, from fraudulent activities. They emphasized the need for transparent financial reporting, strict reserve requirements for stablecoins, and minimum-security standards for brokers and marketplaces.

Balancing innovation with stringent oversight remains a key challenge in the crypto space, requiring thoughtful regulation to ensure the stability and integrity of the market while fostering continued growth and technological advancement. Continued collaboration between stakeholders and policymakers will be crucial as this dynamic industry develops.

IV. Banking Committee 2024 Outlook

The Assembly Majority and the Banks Committee has and will continue to pursue consumer protection initiatives to provide a fair playing field for both consumers and financial institutions.

The Committee will continue to pursue an agenda that responds to the banking industry and consumers' needs and concerns. During the upcoming 2024 legislative session, the Committee will further its efforts to ensure that every New Yorker has access to banking services, home loans, and fair and responsible business and personal credit products. The committee will continue its important work of removing impediments to the creation and retention of generational wealth in our rural and urban communities.

During the upcoming 2024 legislative session, the Committee aims to address issues in cannabis banking and cryptocurrency. Building on our Cannabis Banking Hearing, the Committee seeks to establish an appropriate framework that enables licensed dispensaries to access essential banking services. This framework aims to ensure full compliance with law enforcement and streamline financial operations and logistics. On cryptocurrency, the Committee is committed to promoting innovative alternatives to the traditional financial system while prioritizing consumer protection and the prevention of money laundering and illicit activities.

The Banks Committee will also continue to work on strengthening the New York State banking charter, not only for our state-chartered banks, but for other banking institutions that may be considering obtaining a state charter in New York. New York is the financial capital of the United States, and a strong state banking charter is an important asset to its continued strength.

APPENDICES

APPENDIX A

SUMMARY OF ACTION ON ALL BILLS
REFERRED TO THE COMMITTEE ON

Banks

TOTAL NUMBER OF COMMITTEE MEETINGS HELD 4

2023 SUMMARY SHEET

ASSEMBLY SENATE TOTAL

BILLS BILLS BILLS

BILLS REPORTED FAVORABLE TO:

Codes	5	0	5
Judiciary	0	0	0
Ways and Means	7	0	7
Rules	11	0	11
Floor	3	0	3
TOTAL	26	0	26

COMMITTEE ACTION

Held For Consideration	0	0	0
Defeated	0	0	0
Enacting Clause Stricken	0	0	0
REMAINING IN COMMITTEE	46	13	59

BILLS REFERENCE CHANGED TO:

Ways and Means (1)
Consumer Affairs and Protection (1)

TOTAL	2	0	2
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APPENDIX B

SUMMARY OF BILLS THAT BECAME LAW

CHAPTER NUMBER	ASSEMBLY BILL (SPONSOR)	DESCRIPTION
155	A.7172 (Seawright)	This law extends the Superintendent of the Department of Financial Services' authority to allow licensees to impose an annual fee on open ended loans (such as lines of credit) if the fee is limited to either 1% of the loan or \$50.
274	A.7675 (Hunter)	This legislation aims to resolve issues surrounding exempted entities like national banks engaging in check cashing operations at separate locations outside their regular banking activities. To promote fair competition between exempt banking entities and non-exempted check cashers, the bill extends the 3/5-mile distance requirement for exempted financial institutions until 2025.
540	A.1153-A (Vanel)	This law prohibits mortgage lenders from conducting business with any individual or entity which it knows or should have known is acting as a mortgage banker or a mortgage broker without being licensed or registered by DFS.
555	A.5516 (Hunter)	This law requires DFS to consider whether a community is identified as unbanked or underbanked when establishing Banking Development Districts.
556	A.5519 (Hunter)	This law requires DFS to promulgate rules and regulations regarding the processing of debit and credit transactions, insufficient fund fees, uncollected balance fees, and customer notices regarding the imposition or potential imposition of fees.
581	A.7376 (Weprin)	This law allows for the electronic delivery of premium financing notices.
600	A.7272 (Anderson)	This law permits applications for participation in the Business Development District Program regardless of when the applicant opened the branch subject to such application.
647	A.7388 (Peoples-Stokes)	This law requires OCM to share data relating to its applicants and licensees with financial institutions upon such applicant or licensee's consent.

APPENDIX C
SUMMARY OF BILLS THAT WERE VETOED

VETO NUMBER	ASSEMBLY BILL (SPONSOR)	DESCRIPTION
59	A.6222 (Anderson)	This legislation would establish a working group within DFS to assess the Banking Development District Program and provide recommendations to improve the program.
71	A.954 (Vanel)	This legislation would establish the NYS Cryptocurrency and Blockchain Task Force.