S.1477 (Krueger) / A.643-A (González-Rojas)

STAFF CONTACT : Chelsea Lemon | Senior Director of Government Affairs | 5186944462

BILL	**S.1477 (Krueger) / A.643-A (González-Rojas)**
SUBJECT	**Restoration of Champerty Doctrine Defense**
DATE	**April 29, 2026**
OPPOSE	

The Business Council strongly opposes S.1477 (Krueger) / A.643-A (González-Rojas) which would restore the Champerty Doctrine defense in sovereign debt lawsuits for claims greater than $500,000.

While the bill's stated intent is to target "vulture investors," this legislation will have negative, wide-ranging, and unintended consequences for global markets, including but certainly not limited to, increasing borrowing costs for sovereigns in emerging markets. However, as the leading business organization in New York State, we are most concerned about the ramifications this legislation will have for New York's economy, budget, and its stature as the financial capital of the world.

In October 2023, The Business Council, along with NYBA and SIFMA, jointly released a report prepared by an economist demonstrating how vital the financial services and insurance industry is to New York's economy and prosperity. The industry makes up only 5% of the state's employment, yet it is the largest contributor to the state's gross domestic product (GDP), contributing $327 billion (16%) in 2022. A key advantage to a thriving finance and insurance industry is that its wages ripple throughout the economy. Our report showed that for every one job in the finance and insurance sector, almost 3 jobs are created in other sectors. And while some may attack the industry's adjusted earnings, those high wages provide direct and indirect purchasing power which benefits the overall health and stability of New York's economy.

The industry's impact and contribution to the economy goes far beyond its direct contribution to GDP and is an indispensable pillar to New York's economy and fiscal stability. Because of this, as a state, we must preserve and fight to maintain the state's competitiveness. While we understand the intent of the bill is to target "vulture investors" and is "not intended to apply to conventional and generally cooperative investors who may occasionally choose to sue," the bill's broad applicability could have a severe and detrimental effect across the industry and its place in New York. If this legislation were to become law, it is likely that many good investors will move their business to other states. Given that the financial services industry is the largest contributor to the state's GDP, this would be an enormous blow to the state's tax revenue.

In fact, the Texas Legislature passed and the Texas Governor signed a bill into law on May 30, 2025, TX SB 1239. The sponsor's statement intent reads as follows:

"*Recent proposed legislation in New York would create serious legal uncertainty for lenders and borrowers alike*. The prospect of this legislation has prompted creditors to consider other jurisdictions. While the New York courts and financial sector presence have been appealing, Texas has been mentioned as an alternative jurisdiction for choice of governing law and jurisdiction. The combination of financial industry growth and judicial strength makes Texas a compelling choice for managing complex sovereign debt issues that could rival traditional centers like New York. *S.B. 1239 seeks to position Texas to be a leader in sovereign debt cases* by amending the Business & Commerce Code to make the state an acceptable, and reliable, venue. Additionally, S.B. 1239 would clarify that champerty, as defined in the New York statute prohibiting the purchase of securities "for the sole purpose of litigation," does not apply by codifying that Texas common law does not recognize the doctrine of champerty."

New York's policies and business climate are already severely restricting our ability to stay competitive with other states that see business as partners, have a better quality of life, and lower income tax and corporate tax rates. When analyzing the finance and insurance industry's growth from 2019-2022, New York is grossly behind other states like Texas, North Carolina, Idaho, Florida, and South Carolina, which all saw double-digit growth during that period. It is not just those states that we are losing out to – the state's industry growth between 2019-2022 was just 0.2%, while the national average was 4%. These trends have been building for almost 2 decades and are a direct result of policies like this enacted by New York State.

It is easy to infer that if major financial institutions leave New York State, so will other industries, like law firms. But in the big picture, it will have an induced effect across the state, especially in health care, food services and retail, which could lead to fewer jobs, fewer businesses, and less opportunity for all New Yorkers. This is not the New York that we want. We want to see a New York that is welcoming to business and promotes policies that allow all employers and employees to thrive.

Adoption of this bill will jeopardize New York's economy and its role as the financial capital of the world. It is clear by Texas's recent actions; other states are willing to step in to take our GDP, revenue and jobs. For these reasons, The Business Council strongly opposes S.1477 (Krueger) / A.643-A (González-Rojas).