

STATE OF NEW YORK

8408

2025-2026 Regular Sessions

IN SENATE

June 9, 2025

Introduced by Sen. KRUEGER -- (at request of the Department of Financial Services) -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

AN ACT to amend the financial services law, in relation to prohibited unlicensed activities

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

1 Section 1. Legislative findings. The legislature finds that it is
2 essential to the protection of users of financial products and services
3 from imprudent conduct and harmful business practices in the financial
4 services marketplace that all persons offering financial products and
5 services in New York State be sufficiently deterred from disregarding
6 the laws and regulations governing the offering of financial products or
7 services, regardless of whether they are properly licensed or authorized
8 otherwise to do business. Furthermore, to ensure that the business of,
9 and the persons providing, financial products and services are appropri-
10 ately supervised, the law should not advantage persons who disregard
11 such requirements. Currently, as to engagement in many activities for
12 which a license or other authorization from the superintendent of finan-
13 cial services is required by the banking law or financial services law
14 or the regulations promulgated thereunder, an unlicensed or otherwise
15 unauthorized person not exempt from licensing or other authorization is
16 not subject to civil monetary penalty for acts that would constitute
17 violations subject to penalty if the person were licensed or otherwise
18 authorized. This act provides that persons engaged in activity for which
19 a license or other authorization from the superintendent of financial
20 services is required under the banking law or financial services law
21 will be subject to a civil penalty for conducting such activity in a
22 manner inconsistent with the law, regardless of whether such person is
23 licensed or otherwise authorized to do such activity.

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

LBD10329-02-5

1 § 2. Subsections (a) and (b) of section 305 of the financial services
2 law are amended to read as follows:

3 (a) Unless otherwise provided in this chapter, the banking law, the
4 insurance law or any other law, any hearing pursuant to any such law may
5 be held before the superintendent, any deputy superintendent, or any
6 designated salaried employee of the department authorized by the super-
7 intendent for such purpose. Any adjudicatory proceeding, including any
8 hearings to assess civil penalties under section four hundred eight or
9 four hundred eight-a of this chapter, held pursuant to the provisions of
10 this chapter, the insurance law or the banking law shall be noticed,
11 conducted and administered in compliance with the state administrative
12 procedure act.

13 (b) The person conducting such hearing shall have power to administer
14 oaths, examine and cross-examine witnesses and receive documentary
15 evidence, and shall report [~~his or her~~] such person's findings, orally
16 or in writing, to the superintendent with or without recommendation.
17 Such report, if adopted by the superintendent may be the basis of any
18 determination made by the superintendent. One hundred twenty days after
19 the effective date of a determination of liability for a civil penalty
20 pursuant to section four hundred eight or four hundred eight-a of this
21 chapter or four hundred three, one thousand one hundred two, two thou-
22 sand one hundred two, two thousand one hundred seventeen, two thousand
23 one hundred thirty-three or seven thousand eight hundred sixteen of the
24 insurance law, such determination of liability for a civil penalty may
25 be entered as a judgment and enforced, without court proceedings, in the
26 same manner as the enforcement of a money judgment in civil actions in
27 any court of competent jurisdiction or any other place provided for the
28 entry of civil judgment within this state.

29 § 3. Subsection (a) of section 404 of the financial services law is
30 amended to read as follows:

31 (a) The superintendent has authority under this article, the banking
32 law, the insurance law and other applicable laws to investigate activ-
33 ities that may constitute violations subject to section four hundred
34 eight or four hundred eight-a of this article or violations of the
35 insurance law or banking law and to develop evidence thereon.

36 § 4. The financial services law is amended by adding a new section
37 408-a to read as follows:

38 § 408-a. Unlicensed activities prohibited. (a) For the purposes of
39 this section, a "prohibited unlicensed act" shall mean:

40 (1) engaging in an activity in this state for which a license, certif-
41 ication, registration, authorization, charter, accreditation or incorpo-
42 ration is required by this chapter or the banking law, or the regu-
43 lations promulgated thereunder, without such license, certification,
44 registration, authorization, charter, accreditation or incorporation or
45 an exemption from such requirement; or

46 (2) any act or omission by a person who is required by this chapter or
47 the banking law, or the regulations promulgated thereunder, to be
48 licensed, certified, registered, authorized, chartered, accredited or
49 incorporated and is not so licensed, certified, registered, authorized,
50 chartered, accredited or incorporated, or exempted from such require-
51 ment, if such act or omission would constitute a violation of this chap-
52 ter or the banking law, or the regulations promulgated thereunder,
53 subject to monetary penalty if such person were so licensed, certified,
54 registered, authorized, chartered, accredited or incorporated.

1 (b) In addition to any civil or criminal liability provided by law,
2 the superintendent may, after notice and a hearing, levy a civil penalty
3 for any prohibited unlicensed act as follows:

4 (1) The penalty for a prohibited unlicensed act that relates to the
5 requirements of the banking law or the regulations promulgated there-
6 under shall be the same as the penalty provided in section forty-four of
7 the banking law for any violation of the banking law.

8 (2) The penalty for a prohibited unlicensed act that relates to the
9 requirements of this chapter or the regulations promulgated thereunder
10 shall be the same as the penalty provided for in section four hundred
11 eight of this article for violations of this chapter or the regulations
12 promulgated thereunder. However, the superintendent shall not impose or
13 collect any penalty for a prohibited unlicensed act pursuant to this
14 paragraph if the superintendent imposes or collects any penalty pursuant
15 to paragraph one of this subsection or paragraphs two or three of
16 subsection (a) of section four hundred eight of this article for the
17 same act or omission.

18 (3) If a prohibited unlicensed act results in consumer harm, the
19 penalty shall be not more than double the penalty amount applicable to
20 such violation set forth in paragraphs one and two of this subsection.

21 (c) Civil penalties received by the superintendent pursuant to this
22 section shall be applied in the same manner as civil penalties received
23 by the superintendent pursuant to section four hundred eight of this
24 chapter.

25 (d) In addition to any other penalty or sanction imposed upon a person
26 by law for a prohibited unlicensed act, after notice and a hearing, the
27 superintendent may issue an order directing such person to pay restitu-
28 tion for such unlicensed act.

29 § 5. Subsection (a) of section 409 of the financial services law is
30 amended to read as follows:

31 (a) Whenever the superintendent is satisfied that a violation subject
32 to section four hundred eight or four hundred eight-a of this article or
33 fraud or other criminal activity under the insurance law or banking law
34 has been committed or attempted, the superintendent shall report any
35 such violation of law, as the superintendent deems appropriate, to the
36 appropriate licensing agency, the district attorney of the county in
37 which such acts were committed, to the attorney general, and where
38 appropriate, to the person who submitted the report of fraudulent activ-
39 ity, as provided by the provisions of this article. Within one hundred
40 twenty days of receipt of the superintendent's report, the attorney
41 general or the district attorney concerned shall inform the superinten-
42 dent as to the status of the reported violations.

43 § 6. This act shall take effect immediately.