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MEMORANDUM IN SUPPORT

Champerty Bill (S1477/A643A)

Sponsors: Senator Liz Krueger / Assemblymember Jessica González-Rojas

The Champerty Bill amends New York Judiciary Law § 489 to restore the original purpose of the champerty statute: to prohibit the purchase of a financial claim, usually at a large discount, with the intent of suing the debtor for full repayment. In 2004, a loophole was created which allows hedge funds and private investors to purchase distressed sovereign debt over \$500,000 and sue for profit in New York courts.

Because most sovereign debt bond contracts are governed by New York law, our courts have become a key venue of choice for this predatory litigation. Investors buy debt at a deep discount, wait for countries to default, and then sue for full repayment plus interest. These lawsuits are not about justice or fair recovery; they are financial strategies that extract massive returns from nations experiencing economic and humanitarian crises, all while disrupting global debt restructuring efforts.

{{Optional: add points specific to your organization, how many New Yorkers you represent, and why you are choosing to support the legislation}}

The Champerty bill is a focused and reasonable correction to an outdated and unfair loophole. It removes the provision that encourages speculative lawsuits and affirms that New York law does not permit the purchase of sovereign debt claims for the sole purpose of litigation. It applies only to litigious investors that refuse restructuring and sue for full repayment after buying debt at a deep discount, exempting conventional investors who engage in good-faith negotiations. This ensures our courts are not being used to destabilize nations or advance financial strategies that work against the public interest.

New York has a responsibility to protect the fairness and integrity of its legal and financial systems. We respectfully urge the Legislature to pass the Champerty bill before the end of session.

For more information, please contact: **{{CONTACT NAME, TITLE, EMAIL}}**