

On February 23, 2026, the NYDFS announced a proposed regulation establishing a licensing and supervision framework for Buy Now, Pay Later (BNPL) products.¹ The rule would implement the 2025 New York State law governing BNPL providers, signed on May 9, 2025, as Part 423 of Title 3 of the New York Codes, Rules and Regulations (NYCRR).² Among the requirements are a licensing regime, strict interest and fee limits, well-defined consumer disclosure requirements, dispute resolution procedures, and data privacy protections.

5 insights you should know

- 1** **Licensing requirements:** The proposed regulation would introduce a mandatory licensing regime, which would require applicants, provided they are not already a federally chartered bank or credit union or New York state-chartered bank, to obtain an approved license from the State in order to engage in BNPL-related activities.³ Authorized lenders would also be required to obtain "category permissions" specifying whether they are authorized to offer interest-free BNPL loans, interest-bearing BNPL loans, or both. Licenses would be required to be posted on all mobile applications, websites, and other consumer interfaces. Further, the proposed regulation would expand what would qualify as an authorized lender (e.g., those who make BNPL loans directly, operate platform through which consumers obtain such loans, etc.), and thus required to obtain a license, expanding NYDFS's supervision broadly across the BNPL value chain.
- 2** **Interest, charges and fees:** The proposal would impose strict limits on interest rates and fees, with BNPL lenders not being permitted to charge interest exceeding the rate permitted under General Obligations Law § 5-501. The proposed rule would simultaneously adopt a broad definition of what constitutes "interest," including origination fees, finance charges under Regulation Z, and any fee labeled as such but functioning as interest. The proposal would also establish an \$8 safe harbor for penalty fees, with any penalty fee above \$8 requiring superintendent approval and subject to annual reevaluation. It would also limit fees tied to the method of payment (e.g., convenience fees). BNPL lenders are required to allow prepayment and may not charge prepayment penalties.
- 3** **Disclosure requirements:** Under the proposed rule, required disclosures would largely mirror those under Regulation Z. BNPL lenders would be required to provide pre-transaction disclosures that, if delivered electronically, are presented in an "unavoidable" manner and include all required content. Lenders would also be required to mail or deliver post-transaction confirmations within one business day of the transaction's start. Finally, periodic statements would need to be sent for each billing cycle in which an account carries a balance or a finance charge that has been imposed, and must be mailed or delivered at least 14 days before the payment due date for billing cycles of 30 days or more (or 7 days for shorter cycles).
- 4** **Dispute resolution:** The proposed rule would introduce an extensive dispute resolution framework, drawing heavily from certain credit card protections in federal law. Under the proposal, consumers would be able to initiate a billing dispute (electronically, orally, or in writing) within 60 days of receiving a post-transaction confirmation reflecting the alleged error. BNPL lenders would then need to provide written or electronic acknowledgment within 30 days of receipt and complete the required resolution procedures within two billing cycles, but no later than 90 days after receiving the notice. Lenders would not be permitted to take adverse action on the account while a dispute is pending.
- 5** **Data privacy expectations:** The proposal sets a high-constraint "consent-first" data regime for BNPL that is more prescriptive than many BNPL programs' current marketing/partner-data practices, especially around targeting, cross-selling, and data sharing. NYDFS is drawing a bright line between data uses reasonably necessary to deliver the BNPL loan versus uses such as targeted ads, cross-selling, individualized pricing of non-requested products or data sale, which are explicitly *not* "reasonably necessary." For any non-loan purpose use/sale/sharing, lenders would need separate affirmative consent (no default opt-in, no bundling, purpose-by-purpose choices, ability to decline all), with one-year maximum duration and required renewal.

5 considerations to evaluate

- 1** **Expanding the regulatory perimeter:** BNPL ecosystem participants (including platforms) should run a perimeter assessment across entities, products, and processes to determine whether they “offer” BNPL in a way that would make them a BNPL lender under the proposal. Those that qualify should begin preparations to obtain a license, as well as to engage in ongoing supervision and examination, by building the necessary compliance infrastructure, including enhanced and formalized processes and programs, supporting technology, and appropriate resourcing and governance. Companies already operating as a BNPL lender under the new definition on the effective date should plan to file within 45 days.
- 2** **Enhanced consumer protection:** NYDFS continues to prioritize consumer protections, particularly amid comparatively lighter federal oversight. As a result, organizations should be prepared to integrate these heightened requirements into their existing retail processes. Specifically, organizations operating as BNPL lenders may need to review and update their marketing materials to avoid unfair and deceptive practices and implement controls to confirm that required content is presented in disclosures. Underwriting processes should be formalized within an underwriting policy, which should document model inputs (including “reasonable risk-based underwriting,” which at a minimum considers a consumer’s income and indebtedness) and implement monitoring to demonstrate performance of required assessments. Dispute resolution processes may also need to be enhanced to run formal, time-bound dispute and refund operations with auditable billing-error intake/investigation and “no adverse action” protections.
- 3** **Extending data privacy:** The data privacy provisions are very robust and may represent a significant compliance lift. BNPL lenders should conduct a review of their consumer data inventory, including the way in which data is collected, stored, shared and used across the organization. As part of that review, BNPL lenders may need to bolster data governance controls, including access-management, third-party oversight, documentation and retention practices. This may require substantial uplift of core data and technology processes.
- 4** **Increased operational overhead:** Organizations operating as BNPL lenders should prepare to take on an exam-ready posture. This includes preparing for examination-grade books and records (e.g., payment allocation tracking, unique identifiers, readily accessible electronic records), ongoing reporting (quarterly financials and prescribed reports), compliance management system expectations (designated compliance officer is required, plus maintained documentation for pricing matrices and credit grades), and increased marketing requirements. Although organizations may face higher compliance and operating costs (including potentially more robust governance and oversight over partner, merchant, and payment service provider [PSP] channels), these increases can be offset through innovative technology that reduces overall spend.
- 5** **Expect more laws and regulations in other states:** In the absence of national rules, and with consumer protection increasingly driven through the states, a patchwork of state-level licenses may emerge with different requirements per jurisdiction. Preparing well for a NYDFS BNPL license can help your organization in the future should more licensing regimes emerge in other jurisdictions.

Endnotes

¹ New York Department of Financial Services (NYDFS), "[Governor Hochul announces new nation-leading regulation to establish comprehensive consumer protections for Buy Now, Pay Later Loans](#)," February 23, 2026.

² New York State Senate, "[Senate Bill S3008C](#)," May 9, 2025.

³ Subdivision 5 of section 736 of the New York State Banking Law defines an "exempt organization" as "any national bank, federal savings bank, federal savings and loan association, federal credit union, federal trust company, or foreign banking corporation licensed by the comptroller of the currency to transact business in this state."

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