

HOUSE BILL REPORT

HB 1014

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to the uniform commercial code.

Brief Description: Updating Uniform Commercial Code Articles 1, 3, and 4.

Sponsors: Representatives Appelwick and Riley.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 8, 1993,
DPS.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Zellinsky, Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

Staff: John Conniff (786-7119).

Background: Articles 3 and 4 of the State Uniform Commercial Code (UCC), which govern commercial paper and bank deposits and collections, have not been substantially amended since 1965. Since that time much has changed in commerce and banking both with respect to law and to technology. For example, the Federal Expedited Funds Availability Act and regulations adopted pursuant to the act supersede state UCC provisions.

After nearly a decade of work, the National Conference of Commissioners on Uniform State Laws has completed revisions to UCC Articles 3 and 4 and have recommended that the states adopt these revisions.

Summary of Substitute Bill: Uniform Commercial Code Articles 3 and 4 are substantially revised in accordance with recommendations of the National Conference of Commissioners on Uniform State Laws. Most of the provisions of Article 3 are amended governing negotiable instruments (e.g., checks) including: transfer and negotiation of

instruments; liability of parties to the instrument; presentment, notice of dishonor and protest of instruments; discharge of parties; and other rights, remedies, and procedures relating to negotiable instruments. Most of the provisions of Article 4 are amended governing the rights and obligations of banks in their relationship with other banks in the check deposit and collection system and the rights and obligations of banks in their relationship with their customers.

Substitute Bill Compared to Original Bill: Technical corrections are made, a delayed effective date is added, the burden of proof for negligence in handling certain items is lessened, banks are required to provide more information in account statements after 1998, banks that do not return checks to the customer are required to provide at least two free copies of checks upon customer request with each statement, and bank fees for copies of additional checks are limited.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect July 1, 1994.

Testimony For: The Uniform Commercial Code provisions governing negotiable instruments and financial institutions' checking accounts has not been substantially amended over the past two decades. As a result, the code has failed to keep pace with advances in check processing technology and changes in banking practices. At a minimum, the code must be amended to accommodate new electronic check processing systems. In addition, the current code does not address the rights and responsibilities of banks and their customers in a number of circumstances. The proposed revision of the Uniform Commercial Code resolves many unanswered questions and circumstances, while recognizing changes in banking practices. The revision is necessary to bring certainty and efficiency to the process of negotiating and processing checks and other negotiable instruments.

Testimony Against: None.

Witnesses: Trevor Sandison, Washington Bankers Association (Pro); and Gary Gardner, Washington Credit Union League (Pro).