

SENATE BILL REPORT

SHB 1014

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, APRIL 2, 1993

Brief Description: Updating uniform commercial code articles 1, 3, and 4.

SPONSORS: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Appelwick and Riley)

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass as amended.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Amondson, Barr, Fraser, McAuliffe, Newhouse, Pelz, Prince, Sutherland, and Vognild.

Staff: Benson Porter (786-7470)

Hearing Dates: March 23, 1993; April 2, 1993

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. Approximately 17 states have adopted the revisions.

SUMMARY:

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. In addition, some revisions relate to the rights and obligations of banks in their relationship with their customers.

SUMMARY OF PROPOSED SENATE AMENDMENT:

The provisions governing the information to be provided by a bank to its customer regarding paid checks are modified. Effective January 1, 1998, banks must provide information sufficient to allow the customer to reasonably identify the items paid.

If a customer writes a post-dated check and provides notice to the bank of a post-dated check, the bank cannot charge a fee based on the customer's notice.

If a bank does not return paid checks, the bank must provide without charge five copies of paid items per statement upon the request of the customer. Charges for additional requests are only applied to consumer requests.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: July 1, 1994

TESTIMONY FOR:

The revisions update UCC Articles 3 and 4 to reflect current technology, resolve disputes regarding the prior language, and add clarification.

TESTIMONY AGAINST: None

TESTIFIED: Trevor Sandison, Washington Bankers Association (pro)