

# FINAL BILL REPORT

## SSB 5232

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Synopsis as Enacted

**Brief Description:** Authorizing prize-linked savings deposits.

**Sponsors:** Senate Committee on Labor, Commerce & Consumer Protection (originally sponsored by Senators Kilmer, Hobbs, Carrell, Keiser and Kohl-Welles).

**Senate Committee on Labor, Commerce & Consumer Protection**  
**House Committee on State Government & Tribal Affairs**

**Background:** The percentage of workers who said they have less than \$10,000 in savings grew to 43 percent in 2010, from 39 percent in 2009, according to the Employee Benefit Research Institute's annual Retirement Confidence Survey. The US Bureau of Economic Analysis reported in February 2007, that the rate of personal savings has declined steadily since the 1980s and in 2005 was negative for the first time since 1933. This has raised concerns about families ability to save enough for retirement and for protection against financial setbacks. Financial institutions play a significant role in exploring creative options to increase personal savings.

Current law permits a business to conduct a promotional contest of chance if a prize and chance are involved but the element of consideration is not. A promotional contest of chance is not gambling as it is defined in RCW 9.46.0237.

A financial institution is defined in state law as a bank, trust company, mutual savings bank, savings and loan association, or credit union authorized to do business and accept deposits in this state under state or federal law. The Washington State Department of Financial Institutions (DFI) regulates and examines a variety of state chartered financial services. DFI also provides education to the public to protect consumers from financial fraud.

Credit unions are financial institutions formed by an organized group of people with a common bond. Members of credit unions pool their assets to provide loans and other financial services to each other. They are not-for-profit cooperatives, owned by members and operated by mostly volunteer boards. Credit unions are chartered and supervised by the National Credit Union Administration.

Mutual savings banks are financial institutions chartered through the state or federal government for the purpose of saving and investing savings in mortgages, loans, stocks and bonds, and other securities.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Banks are financial institutions which are corporations with the ability to invest in bonds, notes, and investment securities.

**Summary:** Financial institutions are conditionally authorized to conduct a promotional contest of chance.

A promotional contest of chance is defined in statute. Depositors in a savings account, certificate of deposit, or any other savings program of the financial institution conducting a promotional contest of chance are eligible to receive a prize in a drawing. This can be for an annual drawing if they retain funds in their account for at least one year, or it can be for other drawings for which depositors may be eligible. Those eligible to receive a prize are not required to pay for, or purchase, any services or goods other than the participation in the savings program.

In order to conduct a promotional contest of chance, a financial institution must get approval from its board of directors. A financial institution cannot conduct a promotional contest of chance if it is likely to adversely affect the institution's safety or soundness, harm the institution's reputation, or mislead the institution's members or the general public. The director of DFI is given authority to examine banks, mutual savings banks, and credit unions which are conducting a promotional contest of chance. DFI may issue a cease and desist order for violations under this act. Financial institutions must maintain sufficient audit records and make them available to DFI if requested.

Banks, trust companies, and mutual savings banks are given authority to conduct a promotional contest of chance only if the director of DFI finds that a federal regulatory agency has interpreted federal law to permit them to conduct a promotional contest of chance.

**Votes on Final Passage:**

Senate	46	2	
House	91	2	(House amended)
Senate	48	0	(Senate concurred)

**Effective:** July 22, 2011.