

# HOUSE BILL REPORT

## SHB 1014

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As Amended by the Senate

**Title:** An act relating to the uniform commercial code.

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

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Appelwick and Riley.)

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, February 8, 1993,  
DPS;  
Passed House, March 10, 1993, 97-0;  
Amended by Senate.

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### 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 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.

**EFFECT OF SENATE AMENDMENT(S):** Provisions requiring, after January 1, 1998, banks to provide more specific information on bank statements was deleted. A provision was added prohibiting banks from collecting a fee when a customer notifies the bank that the customer has written a post-dated check that should not be paid prior to the date noted on the check. The number of free copies of checks banks must provide upon request with each statement was increased from two copies to five copies. The authority of banks to charge a fee for furnishing cancelled checks or copies of checks was limited to authority to charge customers thus, remaining silent as to the bank's ability to charge non-customers such as law enforcement officials.

**Fiscal Note:** Not requested.

**Effective Date:** 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).

**VOTE ON FINAL PASSAGE:**

Yeas 97; Excused 1

Excused: Representative Romero