
SENATE BILL 6358

State of Washington

53rd Legislature

1994 Regular Session

By Senators Vognild, Newhouse, Prentice, Fraser, Morton, Winsley and McAuliffe

Read first time 01/20/94. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to check fraud; adding a new chapter to Title 19
2 RCW; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature recognizes that account
5 closed check fraud has grown out of control and represents an
6 extraordinary and unfair financial burden upon the merchant community.
7 Since the volume of account closed check fraud is so great and cannot
8 be managed effectively, the legislature deems it necessary for
9 financial institutions to report the routing number and account number
10 for checking accounts closed due to customer checking account abuse, as
11 that term is defined in section 2 of this act.

12 NEW SECTION. **Sec. 2.** Unless the context clearly requires
13 otherwise, the definitions in this section apply throughout this
14 chapter.

15 (1) "Account closed" means the financial institution closed the
16 checking account due to checking account abuse by the account holder.

1 (2) "Account closed data" means the bank routing number and account
2 number for each checking account closed for abuse by a financial
3 institution.

4 (3) "Banking day" means that part of a day on which a financial
5 institution is open to the public for carrying on substantially all of
6 its functions, except that it shall not include Saturday, Sunday, or a
7 legal holiday.

8 (4) "Check verification service" means an organization that
9 provides computerized check verification services.

10 (5) "Checking account" means a contract of deposit between a
11 depositor or depositors and a financial institution that is subject to
12 withdrawal by check.

13 (6) "Checking account abuse" means the checking account holder is
14 issuing checks as payment for goods and services, but does not have the
15 funds available in a checking account for payment of these checks.

16 (7) "Electronic mailbox system" means a type of technology that
17 provides a storage house for information to be sent and forwarded
18 electronically using computer communication protocols.

19 (8) "Financial institution" means a bank, trust company, savings
20 bank, savings and loan association, securities broker dealer, or credit
21 union authorized to do business and offer checking accounts in this
22 state.

23 (9) "Law enforcement agency" means the police department, the
24 prosecuting attorney, the state patrol, or the office of the sheriff.

25 NEW SECTION. **Sec. 3.** To aid in the reduction of account closed
26 check fraud, financial institutions are required to report account
27 closed data through an electronic mailbox system on a daily basis to
28 the following entities:

29 (1) Check verification services for the purpose of making account
30 closed data available to the merchant community for their protection
31 against financial losses due to fraudulent check crimes;

32 (2) Law enforcement agencies for their use in investigation and
33 prosecution of individuals committing account closed check crime; and

34 (3) Financial institutions to aid in the prevention of opening new
35 checking accounts to known checking account abusers.

36 These entities are required to use account closed data under the
37 provisions of applicable federal laws and in accordance with the laws
38 of the state of Washington.

1 NEW SECTION. **Sec. 4.** The department of financial institutions
2 shall oversee the electronic mailbox system, and a vendor providing the
3 mailbox services will maintain day to day operations of the mailbox
4 system. The vendor shall provide to all financial institutions the
5 compatible software necessary to transmit account closed data to the
6 electronic mailbox, and will make the same available to those
7 organizations or subscribers registered with the department of
8 financial institutions to obtain account closed data as stated in
9 section 3 of this act.

10 NEW SECTION. **Sec. 5.** Financial institutions shall not be required
11 to pay any costs associated with sending account closed data to an
12 electronic mailbox. Costs associated with maintaining the electronic
13 mailbox are divided monthly amongst subscribers to the electronic
14 mailbox. The vendor of the mailbox services is responsible for billing
15 the subscribers. Subscribers shall also pay a reasonable fee to the
16 department of financial institutions for costs incurred in creating and
17 overseeing the electronic mailbox system.

18 NEW SECTION. **Sec. 6.** All financial institutions are required to
19 report to the electronic mailbox system a daily listing of the accounts
20 closed for abuse and a daily listing of the accounts that are reopened
21 and back in good standing with the financial institution. Account
22 closed data must be sent to the electronic mailbox within three banking
23 days of closure of the abused account. Subscribers to the electronic
24 mailbox system shall access the information daily from the electronic
25 mailbox system and make updates as necessary.

26 NEW SECTION. **Sec. 7.** If a financial institution transmits
27 erroneous information to the electronic mailbox system, the financial
28 institution is not liable unless, from the date of discovery or written
29 notification, the financial institution fails to correct the error
30 within a reasonable time after notification. For purposes of this
31 section, a reasonable time means within three banking days after the
32 date of discovery or notification.

33 NEW SECTION. **Sec. 8.** The department of financial institutions
34 shall adopt rules necessary to implement sections 3 through 7 of this
35 act. The department may appoint a temporary advisory committee

1 consisting of merchants, retailers, financial institutions, law
2 enforcement officials, and other consumers to assist in developing
3 proposed rules.

4 NEW SECTION. **Sec. 9.** Sections 2 through 8 of this act shall
5 constitute a new chapter in Title 19 RCW.

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