

SENATE BILL REPORT

SB 5801

As of January 4, 2024

Title: An act relating to the uniform special deposits act.

Brief Description: Concerning special deposits.

Sponsors: Senators Dozier and Pedersen; by request of Uniform Law Commission.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 1/09/24.

Brief Summary of Bill

- Provides statutory clarity on what may be considered a special deposit.
- Establishes that a special deposit is a debt owed to the beneficiary.
- Establishes certain restrictions around a special deposit during a creditor process.
- Clarifies a bank's rights for seeking recoupment on a debt when holding a special deposit.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Kellee Gunn (786-7429)

Background: Special Deposits. A special deposit is an account at a bank that holds funds that may be paid upon the occurrence of one or more contingencies, such as trust fund accounts.

Washington Uniform Law Commission. The Washington Uniform Law Commission (WULC) consists of seven members and was established by state statute. The WULC belongs to the National Conference of Commissioners of Uniform State Laws—also known

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as the Uniform Law Commission, or ULC. The duty of the WULC is to identify laws in which uniformity of laws among the states and other jurisdictions is desirable and practicable and the United States Congress lacks jurisdiction to act, or it is preferable that the several states enact the laws. Annually, the WULC recommends to the Legislature these uniform acts for approval and adoption.

Summary of Bill: The Uniform Special Deposits Act (Act) is established. The Act provides statutory clarity on what may be considered a special deposit, establishes that a special deposit is a debt owed to the beneficiary, establishes restrictions around a special deposit during a bankruptcy or other creditor process, and clarifies the rights of a bank to seek recoupment for a debt—or a right to set off—when holding a special deposit.

Special Deposit. A special deposit is:

- a deposit of funds in a bank under an account agreement;
- for the benefit of at least two beneficiaries, one of which may be the depositor;
- denominated in a medium of exchange currently authorized or adopted by a domestic or foreign government;
- for a permissible purpose stated in the account agreement; and
- subject to a contingency.

A bank is obligated to pay a beneficiary of a special deposit unless the account agreement provides otherwise. The obligation to pay the beneficiary is excused if the funds are insufficient. A beneficiary may elect to be paid the funds available if insufficient or, if there is more than one beneficiary, a prorated share of the funds available unless stated otherwise in the account agreement.

Property Interest in a Special Deposit. Neither the depositor nor a beneficiary has a property interest in a special deposit. Any property interest is only in the right to receive payment if the bank is obligated to pay the beneficiary. Any property interest is determined by other law.

Creditor Process Not Enforceable Against a Bank. Creditor process, such as garnishment, lien, or similar process issued by or on behalf of a creditor, is not enforceable against the bank holding the special deposit. The amount obligated to a beneficiary may be enforceable against a bank only if the process is served to the bank, provides sufficient information to permit the bank to identify the depositor or the beneficiary from the bank's books and records, and gives the bank a reasonable opportunity to act on the process.

Injunction or Similar Relief. A court may instruct a bank not to pay a beneficiary or depositor if the payment constitutes material fraud or facilitates material fraud.

Recoupment of a Debt by a Bank. A bank may not exercise a right of recoupment or set off against a special deposit except for the following instances:

- an account agreement authorizes the bank to debit the special deposit:

1. when the bank is obligated to pay a beneficiary;
 2. for an overdraft fee in the special deposit account;
 3. for costs incurred by the bank that relate to the special deposit; or
 4. to reverse an earlier credit posted by the bank to the balance of the special deposit account, if the reversal occurs warranted under law of this state regarding mistake or restitution; and
- the bank holding a special deposit may exercise a right of recoupment or set off an obligation to pay a beneficiary, even if the bank funds payment from the special deposit.

Application to New and Existing Special Deposits. Account agreements executed on or after the effective date are subject to the act. Deposits under an account agreement made before the effective date may be subject to the act if all parties agree and the special deposit satisfies the statutory requirements to be considered a special deposit.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2024.