

# STATE OF NEW YORK

4323

2025-2026 Regular Sessions

## IN SENATE

February 4, 2025

Introduced by Sen. KRUEGER -- read twice and ordered printed, and when printed to be committed to the Committee on Banks

AN ACT to amend the banking law, in relation to enacting the uniform special deposits act

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The banking law is amended by adding a new article 13-F to  
2 read as follows:

### ARTICLE XIII-F

#### UNIFORM SPECIAL DEPOSITS ACT

3 Section 680. Short title.

4 680-a. Definitions.

5 680-b. Scope; choice of law; forum.

6 680-c. Variation by agreement or amendment.

7 680-d. Requirements for special deposit.

8 680-e. Permissible purpose.

9 680-f. Payment to beneficiary by bank.

10 680-g. Property interest of depositor or beneficiary.

11 680-h. When creditor process enforceable against bank.

12 680-i. Injunction or similar relief.

13 680-j. Recoupment or set off.

14 680-k. Duties and liability of bank.

15 680-l. Term and termination.

16 680-m. Principles of law and equity.

17 680-n. Uniformity of application and construction.

18 680-o. Transitional provision.

19 680-p. Severability.

20 § 680. Short title. This article shall be known and may be cited as  
21 the "uniform special deposits act".

22 § 680-a. Definitions. As used in this article, the following terms  
23 shall have the following meanings:

24 EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
25 [-] is old law to be omitted.

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1 1. "Account agreement" means an agreement that:  
2 (a) is in a record between a bank and one or more depositors;  
3 (b) may have one or more beneficiaries as additional parties; and  
4 (c) states the intention of the parties to establish a special deposit  
5 governed by this article.

6 2. "Bank" means a person engaged in the business of banking and  
7 includes a savings bank, savings and loan association, credit union,  
8 trust company, and a bank as defined in section two of this chapter.  
9 Each branch or separate office of a bank is a separate bank for the  
10 purpose of this article.

11 3. "Beneficiary" means a person that:  
12 (a) is identified as a beneficiary in an account agreement; or  
13 (b) if not identified as a beneficiary in an account agreement, may be  
14 entitled to payment from a special deposit:  
15 (i) under the account agreement; or  
16 (ii) on termination of the special deposit.

17 4. "Contingency" means an event or circumstance stated in an account  
18 agreement that is not certain to occur but must occur before the bank is  
19 obligated to pay a beneficiary.

20 5. "Creditor process" means attachment, garnishment, levy, notice of  
21 lien, sequestration, or similar process issued by or on behalf of a  
22 creditor or other claimant.

23 6. "Depositor" means a person that establishes or funds a special  
24 deposit.

25 7. "Good faith" means honesty in fact and observance of reasonable  
26 commercial standards of fair dealing.

27 8. "Knowledge" means:  
28 (a) with respect to a beneficiary, actual knowledge of the fact; or  
29 (b) with respect to a bank holding a special deposit:  
30 (i) if the bank:

31 (1) has established a reasonable routine for communicating material  
32 information to an individual to whom the bank has assigned responsibil-  
33 ity for the special deposit; and

34 (2) maintains reasonable compliance with the routine, actual knowledge  
35 of the fact by that individual; or

36 (ii) if the bank has not established and maintained reasonable compli-  
37 ance with a routine described in subparagraph (i) of this paragraph or  
38 otherwise exercised due diligence, implied knowledge of the fact that  
39 would have come to the attention of an individual to whom the bank has  
40 assigned responsibility for the special deposit.

41 9. "Obligated to pay a beneficiary" or "obligation to pay a benefi-  
42 ciary" means a beneficiary is entitled under the account agreement to  
43 receive from the bank a payment when:

44 (a) a contingency has occurred; and  
45 (b) the bank has knowledge the contingency has occurred.

46 10. "Permissible purpose" means a governmental, regulatory, commer-  
47 cial, charitable, or testamentary objective of the parties stated in an  
48 account agreement. The term includes an objective to:

49 (a) hold funds:  
50 (i) in escrow, including for a purchase and sale, lease, buyback, or  
51 other transaction;

52 (ii) as a security deposit of a tenant;  
53 (iii) that may be distributed to a person as remuneration, retirement  
54 or other benefit, or compensation under a judgment, consent decree,  
55 court order, or other decision of a tribunal; or

1 (iv) for distribution to a defined class of persons after identifica-  
2 tion of the class members and their interest in the funds;

3 (b) provide assurance with respect to an obligation created by  
4 contract, such as earnest money to ensure a transaction closes;

5 (c) settle an obligation that arises in the operation of a payment  
6 system, securities settlement system, or other financial market infras-  
7 tructure;

8 (d) provide assurance with respect to an obligation that arises in the  
9 operation of a payment system, securities settlement system, or other  
10 financial market infrastructure; or

11 (e) hold margin, other cash collateral, or funds that support the  
12 orderly functioning of financial market infrastructure or the perform-  
13 ance of an obligation with respect to the infrastructure.

14 11. "Person" means an individual, estate, business or nonprofit enti-  
15 ty, government or governmental subdivision, agency, or instrumentality,  
16 or other legal entity. The term includes a protected series, however  
17 denominated, of an entity if the protected series is established under  
18 law that limits, or limits if conditions specified under law are satis-  
19 fied, the ability of a creditor of the entity or of any other protected  
20 series of the entity to satisfy a claim from assets of the protected  
21 series.

22 12. "Record" means information:

23 (a) inscribed on a tangible medium; or

24 (b) stored in an electronic or other medium and retrievable in  
25 perceivable form.

26 13. "Special deposit" means a deposit that satisfies section six  
27 hundred eighty-d of this article.

28 14. "State" means a state of the United States, the District of Colum-  
29 bia, Puerto Rico, the United States Virgin Islands, or any other terri-  
30 tory or possession subject to the jurisdiction of the United States. The  
31 term includes an agency or instrumentality of the state.

32 § 680-b. Scope; choice of law; forum. 1. This article applies to a  
33 special deposit under an account agreement that states the intention of  
34 the parties to establish a special deposit governed by this article,  
35 regardless of whether a party to the account agreement or a transaction  
36 related to the special deposit, or the special deposit itself, has a  
37 reasonable relation to this state.

38 2. The parties to an account agreement may choose a forum in this  
39 state for settling a dispute arising out of the special deposit, regard-  
40 less of whether a party to the account agreement or a transaction  
41 related to the special deposit, or the special deposit itself, has a  
42 reasonable relation to this state.

43 3. This article does not affect:

44 (a) a right or obligation relating to a deposit other than a special  
45 deposit under this article; or

46 (b) the voidability of a deposit or transfer that is fraudulent or  
47 voidable under other law.

48 § 680-c. Variation by agreement or amendment. 1. The effect of this  
49 section and sections six hundred eighty-a, six hundred eighty-b, six  
50 hundred eighty-d, six hundred eighty-e, six hundred eighty-g, six  
51 hundred eighty-h, six hundred eighty-i, six hundred eighty-j and six  
52 hundred eighty-m of this article shall not be varied by agreement,  
53 except as provided in such sections. Subject to subdivision two of this  
54 section, the effect of sections six hundred eighty-f, six hundred eight-  
55 y-k and six hundred eighty-l of this article may be varied by agreement.

1 2. A provision in an account agreement or other record that substan-  
2 tially excuses liability or substantially limits remedies for failure to  
3 perform an obligation under this article is not sufficient to vary the  
4 effect of a provision of this article.

5 3. If a beneficiary is a party to an account agreement, the bank and  
6 the depositor may amend the agreement without the consent of the benefi-  
7 ciary only if the agreement expressly permits the amendment.

8 4. If a beneficiary is not a party to an account agreement and the  
9 bank and the depositor know the beneficiary has knowledge of the agree-  
10 ment's terms, the bank and the depositor may amend the agreement without  
11 the consent of the beneficiary only if the amendment does not adversely  
12 and materially affect a payment right of the beneficiary.

13 5. If a beneficiary is not a party to an account agreement and the  
14 bank and the depositor do not know whether the beneficiary has knowledge  
15 of the agreement's terms, the bank and the depositor may amend the  
16 agreement without the consent of the beneficiary only if the amendment  
17 is made in good faith.

18 § 680-d. Requirements for special deposit. A deposit is a special  
19 deposit if it is:

20 1. a deposit of funds in a bank under an account agreement;

21 2. for the benefit of at least two beneficiaries, one or more of which  
22 may be a depositor;

23 3. denominated in a medium of exchange that is currently authorized or  
24 adopted by a domestic or foreign government;

25 4. for a permissible purpose stated in the account agreement; and

26 5. subject to a contingency.

27 § 680-e. Permissible purpose. 1. A special deposit must serve at least  
28 one permissible purpose stated in the account agreement from the time  
29 the special deposit is created in the account agreement until termi-  
30 nation of the special deposit.

31 2. If, before termination of the special deposit, the bank or a court  
32 determines the special deposit no longer satisfies subdivision one of  
33 this section, sections six hundred eighty-g, six hundred eighty-h, six  
34 hundred eighty-i and six hundred eighty-j of this article cease to apply  
35 to any funds deposited in the special deposit after the special deposit  
36 ceases to satisfy subdivision one of this section.

37 3. If, before termination of a special deposit, the bank determines  
38 the special deposit no longer satisfies subdivision one of this section,  
39 the bank may take action it believes is necessary under the circum-  
40 stances, including terminating the special deposit.

41 § 680-f. Payment to beneficiary by bank. 1. Unless the account agree-  
42 ment provides otherwise, the bank is obligated to pay a beneficiary if  
43 there are sufficient actually and finally collected funds in the balance  
44 of the special deposit.

45 2. Except as provided in subdivision three of this section, the obli-  
46 gation to pay the beneficiary is excused if the funds available in the  
47 special deposit are insufficient to cover such payment.

48 3. Unless the account agreement provides otherwise, if the funds  
49 available in the special deposit are insufficient to cover an obligation  
50 to pay a beneficiary, a beneficiary may elect to be paid the funds that  
51 are available or, if there is more than one beneficiary, a pro rata  
52 share of the funds available. Payment to the beneficiary making the  
53 election under this subsection discharges the bank's obligation to pay a  
54 beneficiary and does not constitute an accord and satisfaction with  
55 respect to another person obligated to the beneficiary.

1 4. Unless the account agreement provides otherwise, the obligation of  
2 the bank obligated to pay a beneficiary is immediately due and payable.

3 5. The bank may discharge its obligation under this section by:  
4 (a) crediting another transaction account of the beneficiary; or  
5 (b) taking other action that:

6 (i) is permitted under the account agreement for the bank to obtain a  
7 discharge; or  
8 (ii) otherwise would constitute a discharge under law.

9 6. If the bank obligated to pay a beneficiary has incurred an obli-  
10 gation to discharge the obligation of another person, the obligation of  
11 the other person is discharged if action by the bank under subdivision  
12 five of this section would constitute a discharge of the obligation of  
13 the other person under law that determines whether an obligation is  
14 satisfied.

15 § 680-g. Property interest of depositor or beneficiary. 1. Neither a  
16 depositor nor a beneficiary has a property interest in a special depos-  
17 it.

18 2. Any property interest with respect to a special deposit is only in  
19 the right to receive payment if the bank is obligated to pay a benefi-  
20 ciary and not in the special deposit itself. Any property interest under  
21 this subdivision shall be subject to the provisions of this chapter and  
22 to rules and regulations made in accordance therewith.

23 § 680-h. When creditor process enforceable against bank. 1. Subject to  
24 subdivision two of this section, creditor process with respect to a  
25 special deposit is not enforceable against the bank holding the special  
26 deposit.

27 2. Creditor process is enforceable against the bank holding a special  
28 deposit with respect to an amount the bank is obligated to pay a benefi-  
29 ciary or a depositor if the process:

30 (a) is served on the bank;

31 (b) provides sufficient information to permit the bank to identify the  
32 depositor or the beneficiary from the bank's books and records; and

33 (c) gives the bank a reasonable opportunity to act on the process.

34 3. Creditor process served on a bank before it is enforceable against  
35 the bank under subdivision two of this section does not create a right  
36 of the creditor against the bank or a duty of the bank to the creditor.  
37 The lien law and any other applicable law shall determine whether credi-  
38 tor process creates a lien enforceable against the beneficiary on a  
39 contingent interest of a beneficiary, including a depositor as a benefi-  
40 ciary, even if not enforceable against the bank.

41 § 680-i. Injunction or similar relief. A court may enjoin, or grant  
42 similar relief that would have the effect of enjoining, a bank from  
43 paying a depositor or beneficiary only if payment would constitute a  
44 material fraud or facilitate a material fraud with respect to a special  
45 deposit.

46 § 680-j. Recoupment or set off. 1. Except as provided in subdivision  
47 two or three of this section, a bank shall not exercise a right of  
48 recoupment or set off against a special deposit.

49 2. An account agreement may authorize the bank to debit the special  
50 deposit:

51 (a) when the bank becomes obligated to pay a beneficiary, in an amount  
52 that does not exceed the amount necessary to discharge the obligation;

53 (b) for a fee assessed by the bank that relates to an overdraft in the  
54 special deposit account;

55 (c) for costs incurred by the bank that relate directly to the special  
56 deposit; or

1 (d) to reverse an earlier credit posted by the bank to the balance of  
2 the special deposit account, if the reversal occurs under an event or  
3 circumstance warranted under other law of this state governing mistake  
4 and restitution.

5 3. The bank holding a special deposit may exercise a right of recoup-  
6 ment or set off against an obligation to pay a beneficiary, even if the  
7 bank funds payment from the special deposit.

8 § 680-k. Duties and liability of bank. 1. A bank does not have a fidu-  
9 ciary duty to any person with respect to a special deposit.

10 2. When the bank holding a special deposit becomes obligated to pay a  
11 beneficiary, a debtor-creditor relationship arises between the bank and  
12 beneficiary.

13 3. The bank holding a special deposit has a duty to a beneficiary to  
14 comply with the account agreement and this article.

15 4. If the bank holding a special deposit does not comply with the  
16 account agreement or this article, the bank is liable to a depositor or  
17 beneficiary only for damages proximately caused by the noncompliance.  
18 Except as provided by other law of this state, the bank is not liable  
19 for consequential, special, or punitive damages.

20 5. The bank holding a special deposit may rely on records presented in  
21 compliance with the account agreement to determine whether the bank is  
22 obligated to pay a beneficiary.

23 6. If the account agreement requires payment on presentation of a  
24 record, the bank shall determine within a reasonable time whether the  
25 record is sufficient to require payment. If the agreement requires  
26 action by the bank on presentation of a record, the bank is not liable  
27 for relying in good faith on the genuineness of the record if the record  
28 appears on its face to be genuine.

29 7. Unless the account agreement provides otherwise, the bank is not  
30 required to determine whether a permissible purpose stated in the agree-  
31 ment continues to exist.

32 § 680-l. Term and termination. 1. Unless otherwise provided in the  
33 account agreement, a special deposit terminates five years after the  
34 date the special deposit was first funded.

35 2. Unless otherwise provided in the account agreement, if the bank  
36 cannot identify or locate a beneficiary entitled to payment when the  
37 special deposit is terminated, and a balance remains in the special  
38 deposit, the bank shall pay the balance to the depositor or depositors  
39 as a beneficiary or beneficiaries.

40 3. A bank that pays the remaining balance as provided under subdivi-  
41 sion two of this section has no further obligation with respect to the  
42 special deposit.

43 § 680-m. Principles of law and equity. The uniform commercial code,  
44 article twenty-two-A of the general business law, the provisions of this  
45 chapter governing deposits generally, the abandoned property law, and  
46 the principles of law and equity, including any applicable law related  
47 to capacity to contract, principal and agent, estoppel, fraud, misrepre-  
48 sentation, duress, coercion, mistake, and bankruptcy, supplement this  
49 article except to the extent inconsistent with this article.

50 § 680-n. Uniformity of application and construction. In applying and  
51 construing the provisions of this uniform special deposits act, a court  
52 shall consider the promotion of uniformity of the law among jurisdic-  
53 tions that enact it.

54 § 680-o. Transitional provision. This article applies to:

55 1. a special deposit made under an account agreement executed on or  
56 after the effective date of this article; and

1 2. a deposit made under an agreement executed before the effective  
2 date of this article, if:

3 (a) all parties entitled to amend the agreement agree to make the  
4 deposit a special deposit governed by this article; and

5 (b) the special deposit referenced in the amended agreement satisfies  
6 the provisions of section six hundred eighty-d of this article.

7 § 680-p. Severability. If any word, phrase, clause, sentence, para-  
8 graph, section or part of this article shall be adjudged by any court of  
9 competent jurisdiction to be invalid, such judgment shall not affect,  
10 impair or invalidate the remainder thereof, but shall be confined in its  
11 operation to the word, phrase, clause, sentence, paragraph, section or  
12 part thereof directly involved in the controversy in which judgment  
13 shall have been rendered.

14 § 2. This act shall take effect on the first of January next succeed-  
15 ing the date on which it shall have become a law.