

1 NEW SECTION. **Sec. 4A-103.** PAYMENT ORDER. (1) "Payment order"

2 means an instruction of a sender to a receiving bank, transmitted
3 orally, electronically, or in writing, to pay, or to cause another bank
4 to pay, a fixed or determinable amount of money to a beneficiary if:

5 (a) The instruction does not state a condition to payment to the
6 beneficiary other than time of payment;

7 (b) The receiving bank is to be reimbursed by debiting an account
8 of, or otherwise receiving payment from, the sender; and

9 (c) The instruction is transmitted by the sender directly to the
10 receiving bank or to an agent, funds transfer system, or communication
11 system for transmittal to the receiving bank.

12 (2) If an instruction is to make more than one payment to a
13 beneficiary, the instruction is a separate payment order with respect
14 to each of the payments.

15 (3) A payment order is issued when it is sent to the receiving
16 bank.

17 (4) "Sender" means the person giving the instruction to the
18 receiving bank.

19 (5) "Receiving bank" means the bank to which the sender's
20 instruction is addressed.

21 (6) "Beneficiary" means the person to be paid by the beneficiary's
22 bank.

23 (7) "Beneficiary's bank" means the bank identified in a payment
24 order in which an account of the beneficiary is to be credited pursuant
25 to the order or which otherwise is to make payment to the beneficiary
26 if the order does not provide for payment to an account.

27 NEW SECTION. **Sec. 4A-104.** FUNDS TRANSFER. (1) "Funds transfer"

28 means the series of transactions, commencing with the originator's
29 payment order, made for the purpose of making payment to the

1 beneficiary of the order. The term includes any payment order issued by
2 the originator's bank or an intermediary bank intended to carry out the
3 originator's payment order, and is completed by acceptance by the
4 beneficiary's bank of a payment order for the benefit of the
5 beneficiary of the originator's payment order.

6 (2) "Originator" means the sender of the first payment order in a
7 funds transfer.

8 (3) "Originator's bank" means (a) the receiving bank to which the
9 payment order of the originator is issued if the originator is not a
10 bank, or (b) the originator if the originator is a bank.

11 (4) "Intermediary bank" means a receiving bank other than the
12 originator's bank or the beneficiary's bank.

13 NEW SECTION. **Sec. 4A-105.** OTHER DEFINITIONS. (1) In this
14 Article:

15 (a) "Authorized account" means a deposit account of a customer in
16 a bank designated by the customer as a source of payment of payment
17 orders issued by the customer to the bank. If a customer does not so
18 designate an account, any account of the customer is an authorized
19 account if payment of a payment order from that account is not
20 inconsistent with a restriction on the use of that account.

21 (b) "Bank" means any person engaged in the business of banking, and
22 includes a savings bank, savings and loan association, credit union, or
23 trust company. A branch or separate office of a bank is a separate
24 bank for purposes of this Article.

25 (c) "Customer" means a person, including a bank, having an account
26 with a bank or from whom a bank has agreed to receive payment orders.

27 (d) "Funds transfer business day" of a receiving bank means the
28 part of a day during which the receiving bank is open for the receipt,

1 processing, and transmittal of payment orders and cancellations and
2 amendments of payment orders.

3 (e) "Funds transfer system" means a wire transfer network,
4 automated clearing house, or other communication system of a clearing
5 house or other association of banks through which a payment order by a
6 bank may be transmitted to the bank to which the order is addressed.

7 (f) "Good faith" means honesty in fact and the observance of
8 reasonable commercial standards of fair dealing.

9 (g) "Prove" with respect to a fact means to meet the burden of
10 establishing the fact (RCW 62A.1-201(8)).

11 (2) Other definitions applying to this Article and the sections in
12 which they appear are:

13 "Acceptance," section 4A-209 of this act.

14 "Beneficiary," section 4A-103 of this act.

15 "Beneficiary's bank," section 4A-103 of this act.

16 "Executed," section 4A-301 of this act.

17 "Execution date," section 4A-301 of this act.

18 "Funds transfer system rule," section 4A-501 of this act.

19 "Funds transfer," section 4A-104 of this act.

20 "Intermediary bank," section 4A-104 of this act.

21 "Originator," section 4A-104 of this act.

22 "Originator's bank," section 4A-104 of this act.

23 "Payment by beneficiary's bank to beneficiary," section 4A-405 of
24 this act.

25 "Payment by originator to beneficiary," section 4A-406 of this act.

26 "Payment by sender to receiving bank," section 4A-403 of this act.

27 "Payment date," section 4A-401 of this act.

28 "Payment order," section 4A-103 of this act.

29 "Receiving bank," section 4A-103 of this act.

30 "Security procedure," section 4A-201 of this act.

1 "Sender," section 4A-103 of this act.

2 (3) The following definitions in Article 4 (RCW 62A.4-101 through
3 62A.4-504) apply to this Article:

4 "Clearing house," section 4A-104 of this act.

5 "Item," section 4A-104 of this act.

6 "Suspends payments," section 4A-104 of this act.

7 (4) In addition, Article 1 (RCW 62A.1-101 through 62A.1-208)
8 contains general definitions and principles of construction and
9 interpretation applicable throughout this Article.

10 NEW SECTION. **Sec. 4A-106.** TIME PAYMENT ORDER IS RECEIVED. (1)
11 The time of receipt of a payment order or communication canceling or
12 amending a payment order is determined by the rules applicable to
13 receipt of a notice stated in RCW 62A.1-201(27). A receiving bank may
14 fix a time or times on a funds transfer business day as a cut-off time
15 for the receipt and processing of payment orders and communications
16 canceling or amending payment orders. Different cut-off times may
17 apply to receipt of payment orders, cancellations, or amendments, or to
18 different categories of payment orders, cancellations, or amendments.
19 A cut-off time may apply to senders generally or different cut-off
20 times may apply to different senders or categories of payment orders.
21 If a payment order or communication canceling or amending a payment
22 order is received after the close of a funds transfer business day or
23 after the appropriate cut-off time on a funds transfer business day,
24 the receiving bank may treat the payment order or communication as
25 received at the opening of the next funds transfer business day.

26 (2) If this Article refers to an execution date or payment date or
27 states a day on which a receiving bank is required to take any action,
28 and the date or day does not fall on a funds transfer business day, the

1 next day that is a funds transfer business day is treated as the date
2 or day stated, unless the contrary is stated in this Article.

3 NEW SECTION. **Sec. 4A-107.** FEDERAL RESERVE REGULATIONS AND
4 OPERATING CIRCULARS. Regulations of the board of governors of the
5 federal reserve system and operating circulars of the federal reserve
6 banks supersede any inconsistent provision of this Article to the
7 extent of the inconsistency.

8 NEW SECTION. **Sec. 4A-108.** EXCLUSION OF CONSUMER TRANSACTIONS
9 GOVERNED BY FEDERAL LAW. This Article does not apply to a funds
10 transfer any part of which is governed by the Electronic Fund Transfer
11 Act of 1978 (Title XX, Public Law 95-630, 92 Stat. 3728, 15 U.S.C. Sec.
12 1693 et seq.) as amended from time to time.

13 PART 2

14 ISSUE AND ACCEPTANCE OF PAYMENT ORDER

15 NEW SECTION. **Sec. 4A-201.** SECURITY PROCEDURE. "Security
16 procedure" means a procedure established by agreement of a customer and
17 a receiving bank for the purpose of (1) verifying that a payment order
18 or communication amending or canceling a payment order is that of the
19 customer, or (2) detecting error in the transmission or the content of
20 the payment order or communication. A security procedure may require
21 the use of algorithms or other codes, identifying words or numbers,
22 incryption, call-back procedures, or similar security devices.
23 Comparison of a signature on a payment order or communication with an
24 authorized specimen signature of the customer is not by itself a
25 security procedure.

1 NEW SECTION. **Sec. 4A-202.** AUTHORIZED AND VERIFIED PAYMENT ORDERS.

2 (1) A payment order received by the receiving bank is the authorized
3 order of the person identified as sender if that person authorized the
4 order or is otherwise bound by it under the law of agency.

5 (2) If a bank and its customer have agreed that the authenticity of
6 payment orders issued to the bank in the name of the customer as sender
7 will be verified pursuant to a security procedure, a payment order
8 received by the receiving bank is effective as the order of the
9 customer, whether or not authorized, if (a) the security procedure is
10 a commercially reasonable method of providing security against
11 unauthorized payment orders, and (b) the bank proves that it accepted
12 the payment order in good faith and in compliance with the security
13 procedure and any written agreement or instruction of the customer
14 restricting acceptance of payment orders issued in the name of the
15 customer. The bank is not required to follow an instruction that
16 violates a written agreement with the customer or notice of which is
17 not received at a time and in a manner affording the bank a reasonable
18 opportunity to act on it before the payment order is accepted.

19 (3) Commercial reasonableness of a security procedure is a question
20 of law to be determined by considering the wishes of the customer
21 expressed to the bank, the circumstances of the customer known to the
22 bank, including the size, type, and frequency of payment orders
23 normally issued by the customer to the bank, alternative security
24 procedures offered to the customer, and security procedures in general
25 use by customers and receiving banks similarly situated. A security
26 procedure is deemed to be commercially reasonable if (a) the security
27 procedure was chosen by the customer after the bank offered, and the
28 customer refused, a security procedure that was commercially reasonable
29 for that customer, and (b) the customer expressly agreed in writing to
30 be bound by any payment order, whether or not authorized, issued in its

1 name, and accepted by the bank in compliance with the security
2 procedure chosen by the customer.

3 (4) The term "sender" in this Article includes the customer in
4 whose name a payment order is issued if the order is the authorized
5 order of the customer under subsection (1) of this section, or it is
6 effective as the order of the customer under subsection (2) of this
7 section.

8 (5) This section applies to amendments and cancellations of payment
9 orders to the same extent it applies to payment orders.

10 (6) Except as provided in this section and in section 4A-203(2) of
11 this act, rights and obligations arising under this section or section
12 4A-203 of this act may not be varied by agreement.

13 NEW SECTION. **Sec. 4A-203.** UNENFORCEABILITY OF CERTAIN VERIFIED
14 PAYMENT ORDERS. (1) This section applies to an accepted payment order
15 that, pursuant to section 4A-202(1) of this act, is not an authorized
16 order of a customer identified as sender, but which is effective as the
17 order of the customer pursuant to section 4A-202(2) of this act.

18 (2) By express written agreement, the receiving bank may limit the
19 extent to which it is entitled to enforce or retain payment of the
20 payment order.

21 (3) The receiving bank is not entitled to enforce or retain payment
22 of the payment order if the customer proves that the order was not
23 caused, directly or indirectly, by (a) a person entrusted at any time
24 with duties to act for the customer with respect to payment orders or
25 the security procedure, or (b) a person who obtained access to
26 transmitting facilities of the customer or who obtained, from a source
27 controlled by the customer and without authority of the receiving bank,
28 information facilitating breach of the security procedure, regardless
29 of how the information was obtained or whether the customer was at

1 fault. Information includes any access device, computer software, or
2 the like.

3 (4) This section applies to amendments of payment orders to the
4 same extent it applies to payment orders.

5 NEW SECTION. **Sec. 4A-204.** REFUND OF PAYMENT AND DUTY OF CUSTOMER
6 TO REPORT WITH RESPECT TO UNAUTHORIZED PAYMENT ORDER. (1) If a
7 receiving bank accepts a payment order issued in the name of its
8 customer as sender that is (a) not authorized and not effective as the
9 order of the customer under section 4A-202 of this act, or (b) not
10 enforceable, in whole or in part, against the customer under section
11 4A-203 of this act, the bank shall refund any payment of the payment
12 order received from the customer to the extent the bank is not entitled
13 to enforce payment, and shall pay interest on the refundable amount
14 calculated from the date the bank received payment to the date of the
15 refund. However, the customer is not entitled to interest from the
16 bank on the amount to be refunded if the customer fails to exercise
17 ordinary care to determine that the order was not authorized by the
18 customer and to notify the bank of the relevant facts within a
19 reasonable time not to exceed ninety days from the date the customer
20 received notification from the bank that the order was accepted or that
21 the customer's account was debited with respect to the order. The bank
22 is not entitled to any recovery from the customer on account of a
23 failure by the customer to give notification as stated in this section.

24 (2) Reasonable time under subsection (1) of this section may be
25 fixed by agreement as stated in subsection (1) of this section, but the
26 obligation of a receiving bank to refund payment as stated in
27 subsection (1) of this section may not otherwise be varied by
28 agreement.

1 NEW SECTION. **Sec. 4A-205.** ERRONEOUS PAYMENT ORDERS. (1) This

2 section applies to an accepted payment order transmitted pursuant to a
3 security procedure for the detection of error, if the payment order (a)
4 erroneously instructed payment to a beneficiary not intended by the
5 sender, (b) erroneously instructed payment in an amount greater than
6 the amount intended by the sender, or (c) is an erroneously transmitted
7 duplicate of a payment order previously sent by the sender.

8 (2) If the sender proves that the sender or a person acting on
9 behalf of the sender pursuant to section 4A-206 of this act complied
10 with the security procedure and that the error would have been detected
11 if the receiving bank had also complied, the sender is not obliged to
12 pay the order to the extent stated in subsection (3) of this section.

13 (3) If the funds transfer is completed on the basis of an erroneous
14 payment order described in subsection (1) (a) or (c) of this section,
15 the sender is not obliged to pay the order and the receiving bank is
16 entitled to recover from the beneficiary any amount paid to the
17 beneficiary to the extent allowed by the law governing mistake and
18 restitution. If the funds transfer is completed on the basis of a
19 payment order described in subsection (1)(b) of this section, the
20 sender is not obliged to pay the order to the extent the amount
21 received by the beneficiary is greater than the amount intended by the
22 sender. In that case, the receiving bank is entitled to recover from
23 the beneficiary the excess amount received to the extent allowed by the
24 law governing mistake and restitution.

25 (4) This subsection applies if the sender of an erroneous payment
26 order described in subsection (1) of this section is not obliged to pay
27 all or part of the order, and the sender receives notification from the
28 receiving bank that the order was accepted by the bank or that the
29 sender's account was debited with respect to the order. The sender has
30 a duty to exercise ordinary care, on the basis of information available

1 to the sender, to discover the error with respect to the order and to
2 advise the bank of the relevant facts within a reasonable time not to
3 exceed ninety days after the bank's notification was received by the
4 sender. If the bank proves that the sender failed to perform that
5 duty, the sender is obliged to reimburse the bank for the loss the bank
6 proves it incurred as a result of the failure, but the liability of the
7 sender may not exceed the amount of the sender's order.

8 (5) This section applies to amendments to payment orders to the
9 same extent it applies to payment orders.

10 NEW SECTION. **Sec. 4A-206.** TRANSMISSION OF PAYMENT ORDER THROUGH
11 FUNDS TRANSFER OR OTHER COMMUNICATION SYSTEM. If a payment order
12 addressed to a receiving bank is transmitted to a funds transfer system
13 or other third-party communication system for transmittal to the bank,
14 the system is deemed to be an agent of the sender for the purpose of
15 transmitting the payment order to the bank. If there is a discrepancy
16 between the terms of the payment order transmitted to the system and
17 the terms of the payment order transmitted by the system to the bank,
18 the terms of the payment order of the sender are those transmitted by
19 the system. This section applies to amendments and cancellations of
20 payment orders to the same extent it applies to payment orders. This
21 section does not apply to a funds transfer system of the federal
22 reserve banks.

23 NEW SECTION. **Sec. 4A-207.** MISDESCRIPTION OF BENEFICIARY. (1)
24 Subject to subsection (2) of this section, if, in a payment order
25 received by the beneficiary's bank, the name, bank account number, or
26 other identification of the beneficiary refers to a nonexistent or
27 unidentifiable person or account, no person has rights as a beneficiary
28 of the order and acceptance of the order cannot occur.

1 (2) This subsection applies if a payment order received by the
2 beneficiary's bank identifies the beneficiary both by name and by an
3 identifying or bank account number and the name and number identify
4 different persons.

5 (a) Except as otherwise provided in subsection (3) of this section,
6 the beneficiary's bank may treat the person identified by number as the
7 beneficiary of the order if the bank does not know that the name and
8 number refer to different persons. If the beneficiary's bank pays the
9 person identified by number, it has no duty to determine whether the
10 name and number refer to the same person.

11 (b) If the beneficiary's bank pays the person identified by name or
12 if it knows that the name and number identify different persons, no
13 person has rights as beneficiary except the person paid by the
14 beneficiary's bank if that person was entitled to receive payment from
15 the originator of the funds transfer. If no person has rights as
16 beneficiary, acceptance of the order cannot occur.

17 (3) This subsection applies to a funds transfer in which a payment
18 order described in subsection (2) of this section is accepted, the
19 originator's payment order described the beneficiary inconsistently by
20 name and number, and the beneficiary's bank pays the person identified
21 by number. If the originator is a bank, the originator is obliged to
22 pay its order. If the originator is not a bank and proves that the
23 person identified by number was not entitled to receive payment from
24 the originator, the originator is not obliged to pay its order unless
25 the originator's bank proves that, before acceptance of the
26 originator's order, the originator had notice that payment of a payment
27 order issued by the originator might be made by the beneficiary's bank
28 on the basis of an identifying or bank account number even if it
29 identifies a person different from the named beneficiary. Proof of
30 notice may be made by any admissible evidence, but in any event the

1 originator's bank satisfies the burden of proof if it proves that,
2 before the payment order was accepted, the originator signed a writing
3 stating the information to which the notice relates.

4 (4) In a case governed by subsection (2)(a) of this section, if the
5 beneficiary's bank rightfully pays the person identified by number and
6 that person was not entitled to receive payment from the originator,
7 there is a right to recover from that person the amount paid to the
8 extent allowed by the law governing mistake and restitution. If the
9 originator is obliged to pay its payment order as stated in subsection
10 (3) of this section, the originator has the right to recover. If the
11 originator is not obliged to pay its payment order, the originator's
12 bank has the right to recover.

13 NEW SECTION. **Sec. 4A-208.** MISDESCRIPTION OF INTERMEDIARY BANK OR
14 BENEFCIARY'S BANK. (1) This section applies if a payment order
15 identifies an intermediary bank or beneficiary's bank by an identifying
16 number and (a) the bank is also identified by name and the name and
17 number identify different persons, or (b) the number identifies a
18 person that is not a bank.

19 (2) This subsection applies if the payment order identifies the
20 intermediary or beneficiary's bank only by number. The receiving bank
21 may rely on the number as the proper identification of the intermediary
22 or beneficiary's bank and has no duty to determine whether the number
23 identifies a bank. The sender is obliged to compensate the receiving
24 bank for any loss and expenses incurred by the receiving bank as a
25 result of its reliance on the number in executing or attempting to
26 execute the order.

27 (3) This subsection applies if the payment order identifies the
28 intermediary or beneficiary's bank both by number and name.

1 (a) If the sender is a bank, the receiving bank may rely on the
2 number as the proper identification of the intermediary or
3 beneficiary's bank if the receiving bank, at the time it executes the
4 sender's order, does not know that the name and number identify
5 different persons. The receiving bank has no duty to determine whether
6 the name and number refer to the same person or whether the number
7 refers to a bank. The sender is obliged to compensate the receiving
8 bank for any loss and expenses incurred by the receiving bank as a
9 result of its reliance on the number in executing or attempting to
10 execute the order.

11 (b) If the sender is not a bank and the receiving bank proves that
12 the sender, before the payment order was accepted, had notice that the
13 receiving bank might rely on the number as the proper identification of
14 the intermediary or beneficiary's bank even if it identifies a person
15 different from the bank identified by name, the rights and obligations
16 of the sender and the receiving bank are governed by (a) of this
17 subsection, as though the sender were a bank. Proof of notice may be
18 made by any admissible evidence, but in any event the receiving bank
19 satisfies the burden of proof if it proves that the sender, before the
20 payment order was accepted, signed a writing stating the information to
21 which the notice relates.

22 (c) Regardless of whether the sender is a bank, the receiving bank
23 may rely on the name as the proper identification of the intermediary
24 or beneficiary's bank if the receiving bank, at the time it executes
25 the sender's order, does not know that the name and number identify
26 different persons. The receiving bank has no duty to determine whether
27 the name and number refer to the same person.

28 (d) If the receiving bank knows that the name and number identify
29 different persons, reliance on either the name or the number in

1 executing the sender's payment order is a breach of the obligation
2 stated in section 4A-302(1)(a) of this act.

3 NEW SECTION. **Sec. 4A-209.** ACCEPTANCE OF PAYMENT ORDER. (1)

4 Subject to subsection (4) of this section, a receiving bank other than
5 the beneficiary's bank accepts a payment order when it executes the
6 order.

7 (2) Subject to subsections (3) and (4) of this section, a
8 beneficiary's bank accepts a payment order at the earliest of the
9 following times:

10 (a) The time the bank (i) pays the beneficiary as stated in section
11 4A-405 (1) or (2) of this act, or (ii) notifies the beneficiary of
12 receipt of the order or that the account of the beneficiary has been
13 credited with respect to the order unless the notice indicates that the
14 bank is rejecting the order or that funds with respect to the order may
15 not be withdrawn or used until receipt of payment from the sender of
16 the order;

17 (b) The time the bank receives payment of the entire amount of the
18 sender's order pursuant to section 4A-403 (1) (a) or (b) of this act;
19 or

20 (c) The opening of the next funds transfer business day of the bank
21 following the payment date of the order if, at that time, the amount of
22 the sender's order is fully covered by a withdrawable credit balance in
23 an authorized account of the sender or the bank has otherwise received
24 full payment from the sender, unless the order was rejected before that
25 time or is rejected within (i) one hour after that time, or (ii) one
26 hour after the opening of the next business day of the sender following
27 the payment date if that time is later. If notice of rejection is
28 received by the sender after the payment date and the authorized
29 account of the sender does not bear interest, the bank is obliged to

1 pay interest to the sender on the amount of the order for the number of
2 days elapsing after the payment date to the day the sender receives
3 notice or learns that the order was not accepted, counting that day as
4 an elapsed day. If the withdrawable credit balance during that period
5 falls below the amount of the order, the amount of interest payable is
6 reduced accordingly.

7 (3) Acceptance of a payment order cannot occur before the order is
8 received by the receiving bank. No acceptance occurs under subsection
9 (2) (b) or (c) of this section if the beneficiary of the payment order
10 does not have an account with the receiving bank, the account has been
11 closed, or the receiving bank is not permitted by law to receive
12 credits for the beneficiary's account.

13 (4) A payment order issued to the originator's bank cannot be
14 accepted until (a) the payment date if the bank is the beneficiary's
15 bank, or (b) the execution date if the bank is not the beneficiary's
16 bank. If the originator's bank executes the originator's payment order
17 before the execution date or pays the beneficiary of the originator's
18 payment order before the payment date and the payment order is
19 subsequently canceled pursuant to section 4A-211(2) of this act, the
20 bank may recover from the beneficiary any payment received to the
21 extent allowed by the law governing mistake and restitution.

22 NEW SECTION. **Sec. 4A-210.** REJECTION OF PAYMENT ORDER. (1) A
23 payment order is rejected by the receiving bank by a notice of
24 rejection transmitted to the sender by an oral, written, or electronic
25 communication. A notice of rejection need not use any particular words
26 and is sufficient if it indicates that the receiving bank is rejecting
27 the order or will not execute, pay, or otherwise act to carry out the
28 order. Rejection is effective when the notice is given if transmission
29 is by a means that is reasonable in the circumstances. If notice of

1 rejection is given by a means that is not commercially reasonable,
2 rejection is effective when the notice is received. If an agreement of
3 the sender and receiving bank establishes the means to be used to
4 reject a payment order, (a) any means complying with the agreement is
5 commercially reasonable, and (b) any means not complying is not
6 commercially reasonable unless no significant delay in receipt of the
7 notice resulted from the use of the noncomplying means.

8 (2) This subsection applies if a receiving bank other than the
9 beneficiary's bank fails to execute a payment order notwithstanding
10 that on the execution date an authorized account of the sender has a
11 withdrawable credit balance sufficient to cover the order. If the
12 sender does not receive notice of rejection of the order on the
13 execution date and the authorized account of the sender does not bear
14 interest, the bank is obliged to pay interest to the sender on the
15 amount of the order for the number of days elapsing after the execution
16 date to the day the sender receives notice or learns that the order was
17 not executed, counting that day as an elapsed day. If the withdrawable
18 credit balance during that period falls below the amount of the order,
19 the amount of interest is reduced accordingly.

20 (3) If a receiving bank suspends payments, all unaccepted payment
21 orders issued to the bank are deemed rejected at the time the bank
22 suspends payments.

23 (4) Acceptance of a payment order precludes a later rejection of
24 the order. Rejection of a payment order precludes a later acceptance of
25 the order.

26 NEW SECTION. **Sec. 4A-211.** CANCELLATION AND AMENDMENT OF PAYMENT
27 ORDER. (1) A communication of the sender of a payment order canceling
28 or amending the order may be transmitted to the receiving bank orally,
29 in writing, or electronically. If a security procedure is in effect

1 between the sender and the receiving bank, the communication is not
2 effective to cancel or amend the order unless the communication is
3 verified pursuant to the security procedure or the bank agrees to the
4 cancellation or amendment.

5 (2) Subject to subsection (1) of this section, a communication by
6 the sender canceling or amending a payment order is effective to cancel
7 or amend the order if notice of the communication is received at a time
8 and in a manner affording the receiving bank a reasonable opportunity
9 to act on the communication before the bank accepts the payment order.

10 (3) After a payment order has been accepted, cancellation or
11 amendment of the order is not effective unless the receiving bank
12 agrees or a funds transfer system rule allows cancellation or amendment
13 without agreement of the bank.

14 (a) With respect to a payment order accepted by a receiving bank
15 other than the beneficiary's bank, cancellation or amendment is not
16 effective unless a conforming cancellation or amendment of the payment
17 order issued by the receiving bank is also made.

18 (b) With respect to a payment order accepted by the beneficiary's
19 bank, cancellation or amendment is not effective unless the order was
20 issued in execution of an unauthorized payment order, or because of a
21 mistake by a sender in the funds transfer which resulted in the
22 issuance of a payment order (i) that is a duplicate of a payment order
23 previously issued by the sender, (ii) that orders payment to a
24 beneficiary not entitled to receive payment from the originator, or
25 (iii) that orders payment in an amount greater than the amount the
26 beneficiary was entitled to receive from the originator. If the
27 payment order is canceled or amended, the beneficiary's bank is
28 entitled to recover from the beneficiary any amount paid to the
29 beneficiary to the extent allowed by the law governing mistake and
30 restitution.

1 (4) An unaccepted payment order is canceled by operation of law at
2 the close of the fifth funds transfer business day of the receiving
3 bank after the execution date or payment date of the order.

4 (5) A canceled payment order cannot be accepted. If an accepted
5 payment order is canceled, the acceptance is nullified and no person
6 has any right or obligation based on the acceptance. Amendment of a
7 payment order is deemed to be cancellation of the original order at the
8 time of amendment and issue of a new payment order in the amended form
9 at the same time.

10 (6) Unless otherwise provided in an agreement of the parties or in
11 a funds transfer system rule, if the receiving bank, after accepting a
12 payment order, agrees to cancellation or amendment of the order by the
13 sender or is bound by a funds transfer system rule allowing
14 cancellation or amendment without the bank's agreement, the sender,
15 whether or not cancellation or amendment is effective, is obliged to
16 compensate the bank for any loss and expenses, including reasonable
17 attorneys' fees, incurred by the bank as a result of the cancellation
18 or amendment or attempted cancellation or amendment.

19 (7) A payment order is not revoked by death or legal incapacity of
20 the sender unless the receiving bank has knowledge of the death or of
21 an adjudication of incapacity by a court of competent jurisdiction and
22 has reasonable opportunity to act before acceptance of the order.

23 (8) A funds transfer system rule is not effective to the extent it
24 conflicts with subsection (3)(b) of this section.

25 NEW SECTION. **Sec. 4A-212.** LIABILITY AND DUTY OF RECEIVING BANK
26 REGARDING UNACCEPTED PAYMENT ORDER. If a receiving bank fails to
27 accept a payment order it is obliged by express agreement to accept,
28 the bank may be held liable for breach of the agreement as provided in
29 the agreement or in this Article, but does not otherwise have any duty

1 to accept a payment order and, before acceptance, to take any action,
2 or refrain from taking action, with respect to the order except as
3 provided in this Article or by express agreement. Liability based on
4 acceptance arises only when acceptance occurs as stated in section 4A-
5 207 of this act and liability is limited to that provided in this
6 Article. A receiving bank is not the agent of the sender or
7 beneficiary of the payment order it accepts, or of any other party to
8 the funds transfer, and the bank owes no duty to any party to the funds
9 transfer except as provided in this Article or by express agreement.

10 PART 3

11 EXECUTION OF SENDER'S PAYMENT ORDER BY RECEIVING BANK

12 NEW SECTION. **Sec. 4A-301.** EXECUTION AND EXECUTION DATE. (1) A
13 payment order is "executed" by the receiving bank when it issues a
14 payment order intended to carry out the payment order received by the
15 bank. A payment order received by the beneficiary's bank can be
16 accepted but cannot be executed.

17 (2) "Execution date" of a payment order means the day on which the
18 receiving bank may properly issue a payment order in execution of the
19 sender's order. The execution date can be determined by instruction of
20 the sender but cannot be earlier than the day the order is received
21 and, unless otherwise determined, is the day the order is received. If
22 the sender's instruction states a payment date, the execution date is
23 the payment date or an earlier date on which execution is reasonably
24 necessary to allow payment to the beneficiary on the payment date.

25 NEW SECTION. **Sec. 4A-302.** OBLIGATIONS OF RECEIVING BANK IN
26 EXECUTION OF PAYMENT ORDER. (1) This subsection is subject to
27 subsections (2) through (4) of this section. If a receiving bank

1 accepts a payment order pursuant to section 4A-209(1) of this act, the
2 bank has the following obligations in executing the order:

3 (a) The receiving bank is obliged to issue, on the execution date,
4 a payment order complying with the sender's order and to follow the
5 sender's instructions concerning (i) any intermediary bank or funds
6 transfer system to be used in carrying out the funds transfer, or (ii)
7 the means by which payment orders are to be transmitted in the funds
8 transfer. If the originator's bank issues a payment order to an
9 intermediary bank, the originator's bank is obliged to instruct the
10 intermediary bank according to the instruction of the originator. Any
11 intermediary bank in the funds transfer is similarly bound by an
12 instruction given to it by the sender of the payment order that it
13 accepts.

14 (b) If the sender's instruction states that the funds transfer is
15 to be carried out telephonically or by wire transfer or otherwise
16 indicates that the funds transfer is to be carried out by the most
17 expeditious means, the receiving bank is obliged to transmit its
18 payment order by the most expeditious available means, and to instruct
19 any intermediary bank accordingly. If a sender's instruction states a
20 payment date, the receiving bank is obliged to transmit its payment
21 order at a time and by means reasonably necessary to allow payment to
22 the beneficiary on the payment date or as soon thereafter as is
23 feasible.

24 (2) Unless otherwise instructed, a receiving bank executing a
25 payment order may (a) use any funds transfer system if use of that
26 system is reasonable in the circumstances, and (b) issue a payment
27 order to the beneficiary's bank or to an intermediary bank through
28 which a payment order conforming to the sender's order can
29 expeditiously be issued to the beneficiary's bank if the receiving bank
30 exercises ordinary care in the selection of the intermediary bank. A

1 receiving bank is not required to follow an instruction of the sender
2 designating a funds transfer system to be used in carrying out the
3 funds transfer if the receiving bank, in good faith, determines that it
4 is not feasible to follow the instruction or that following the
5 instruction would unduly delay completion of the funds transfer.

6 (3) Unless subsection (1)(b) of this section applies or the
7 receiving bank is otherwise instructed, the bank may execute a payment
8 order by transmitting its payment order by first class mail or by any
9 means that are reasonable in the circumstances. If the receiving bank
10 is instructed to execute the sender's order by transmitting its payment
11 order by a particular means, the receiving bank may issue its payment
12 order by the means stated or by any means as expeditious as the means
13 stated if the means used are reasonable in the circumstances.

14 (4) Unless instructed by the sender, (a) the receiving bank may not
15 obtain payment of its charges for services and expenses in connection
16 with the execution of the sender's order by issuing a payment order in
17 an amount equal to the amount of the sender's order less the amount of
18 the charges, and (b) may not instruct a subsequent receiving bank to
19 obtain payment of its charges in the same manner.

20 NEW SECTION. **Sec. 4A-303.** ERRONEOUS EXECUTION OF PAYMENT ORDER.

21 (1) A receiving bank that (a) executes the payment order of the sender
22 by issuing a payment order in an amount greater than the amount of the
23 sender's order, or (b) issues a payment order in execution of the
24 sender's order and then issues a duplicate order, is entitled to
25 payment of the amount of the sender's order in accordance with section
26 4A-402(3) of this act if that subsection is otherwise satisfied. The
27 bank is entitled to recover from the beneficiary of the erroneous order
28 the excess payment received to the extent allowed by the law governing
29 mistake and restitution.

1 (2) A receiving bank that executes the payment order of the sender
2 by issuing a payment order in an amount less than the amount of the
3 sender's order is entitled to payment of the amount of the sender's
4 order in accordance with section 4A-402(3) of this act if (a) that
5 subsection is otherwise satisfied and (b) the bank corrects its mistake
6 by issuing an additional payment order for the benefit of the
7 beneficiary of the sender's order. If the error is not corrected, the
8 issuer of the erroneous order is entitled to receive or retain payment
9 from the sender of the order it accepted only to the extent of the
10 amount of the erroneous order. This subsection does not apply if the
11 receiving bank executes the sender's payment order by issuing a payment
12 order in an amount less than the amount of the sender's order for the
13 purpose of obtaining payment of its charges for services and expenses
14 pursuant to section 4A-302(4) of this act.

15 (3) If a receiving bank executes the payment order of the sender by
16 issuing a payment order to a beneficiary different from the beneficiary
17 of the sender's order and the funds transfer is completed on the basis
18 of that error, the sender of the payment order that was erroneously
19 executed and all previous senders in the funds transfer are not obliged
20 to pay the payment orders they issued. The issuer of the erroneous
21 order is entitled to recover from the beneficiary of the order the
22 payment received to the extent allowed by the law governing mistake and
23 restitution.

24 NEW SECTION. **Sec. 4A-304.** DUTY OF SENDER TO REPORT ERRONEOUSLY
25 EXECUTED PAYMENT ORDER. If the sender of a payment order that is
26 erroneously executed as stated in section 4A-303 of this act receives
27 notification from the receiving bank that the order was executed or
28 that the sender's account was debited with respect to the order, the
29 sender has a duty to exercise ordinary care to determine, on the basis

1 of information available to the sender, that the order was erroneously
2 executed and to notify the bank of the relevant facts within a
3 reasonable time not to exceed ninety days after the notification from
4 the bank was received by the sender. If the sender fails to perform
5 that duty, the bank is not obliged to pay interest on any amount that
6 is refundable to the sender under section 4A-402(4) of this act for the
7 period before the bank learns of the execution error. The bank is not
8 entitled to any recovery from the sender on account of a failure by the
9 sender to perform the duty stated in this section.

10 NEW SECTION. **Sec. 4A-305.** LIABILITY FOR LATE OR IMPROPER
11 EXECUTION OR FAILURE TO EXECUTE PAYMENT ORDER. (1) If a funds transfer
12 is completed but execution of a payment order by the receiving bank in
13 breach of section 4A-302 of this act results in delay in payment to the
14 beneficiary, the bank is obliged to pay interest to either the
15 originator or the beneficiary of the funds transfer for the period of
16 delay caused by the improper execution. Except as provided in
17 subsection (3) of this section, additional damages are not recoverable.

18 (2) If execution of a payment order by a receiving bank in breach
19 of section 4A-302 of this act results in (a) noncompletion of the funds
20 transfer, (b) failure to use an intermediary bank designated by the
21 originator, or (c) issuance of a payment order that does not comply
22 with the terms of the payment order of the originator, the bank is
23 obliged to compensate the originator for its expenses in the funds
24 transfer and for incidental expenses and interest losses, to the extent
25 not covered by subsection (1) of this section, resulting from the
26 improper execution. Except as provided in subsection (3) of this
27 section, additional damages are not recoverable.

28 (3) In addition to the amounts payable under subsections (1) and
29 (2) of this section, damages, including consequential damages, are

1 recoverable to the extent provided in an express written agreement of
2 the receiving bank.

3 (4) If a receiving bank fails to execute a payment order it was
4 obliged by express agreement to execute, the receiving bank is obliged
5 to compensate the sender for its expenses in the transaction and for
6 incidental expenses and interest losses resulting from the failure to
7 execute. Additional damages, including consequential damages, are
8 recoverable to the extent provided in an express written agreement of
9 the receiving bank, but are not otherwise recoverable.

10 (5) Reasonable attorneys' fees are recoverable if demand for
11 compensation under subsection (1) or (2) of this section is made and
12 refused before an action is brought on the claim. If a claim is made
13 for breach of the agreement under subsection (4) of this section and
14 the agreement does not provide for damages, reasonable attorneys' fees
15 are recoverable if demand for compensation under subsection (4) of this
16 section is made and refused before an action is brought on the claim.

17 (6) Except as stated in this section, the liability of a receiving
18 bank under subsections (1) and (2) of this section may not be varied by
19 agreement.

20 PART 4

21 PAYMENT

22 NEW SECTION. **Sec. 4A-401.** PAYMENT DATE. "Payment date" of a
23 payment order means the day on which the amount of the order is payable
24 to the beneficiary by the beneficiary's bank. The payment date can be
25 determined by instruction of the sender but cannot be earlier than the
26 day the order is received by the beneficiary's bank and, unless
27 otherwise determined, is the day the order is received by the
28 beneficiary's bank.

1 NEW SECTION. **Sec. 4A-402.** OBLIGATION OF SENDER TO PAY RECEIVING

2 BANK. (1) This section is subject to section 4A-205 of this act.

3 (2) With respect to a payment order issued to the beneficiary's
4 bank, acceptance of the order by the bank obliges the sender to pay the
5 bank the amount of the order, but payment is not due until the payment
6 date of the order.

7 (3) This subsection is subject to subsection (5) of this section
8 and to section 4A-303 of this act. With respect to a payment order
9 issued to a receiving bank other than the beneficiary's bank,
10 acceptance of the order by the receiving bank obliges the sender to pay
11 the bank the amount of the order, but that obligation is excused if the
12 funds transfer is not completed by acceptance by the beneficiary's bank
13 of a payment order instructing payment to the beneficiary of the
14 sender's order. Payment by the sender is not due until the execution
15 date of the sender's order.

16 (4) If the sender of a payment order pays the order and was not
17 obliged to pay all or part of the amount paid, the bank receiving
18 payment is obliged to refund payment to the extent the sender was not
19 obliged to pay. Except as provided in sections 4A-204 and 4A-304 of
20 this act, interest is payable on the refundable amount from the date of
21 payment.

22 (5) This subsection applies if a funds transfer is not completed as
23 stated in subsection (3) of this section and an intermediary bank is
24 obliged to refund payment as stated in subsection (4) of this section,
25 but is unable to do so because not permitted by applicable law or
26 because the bank suspends payments. A sender in the funds transfer
27 that executed a payment order in compliance with an instruction, as
28 stated in section 4A-302(1)(a) of this act, to route the funds transfer
29 through that intermediary bank is entitled to retain or enforce payment
30 from the sender of the payment order that it accepted. The first

1 sender in the funds transfer that issued an instruction requiring
2 routing through that intermediary bank is subrogated to the right of
3 the bank that paid the intermediary bank to refund as stated in
4 subsection (4) of this section.

5 (6) Excuse of the obligation of the sender of a payment order to
6 pay the order as stated in subsection (3) of this section or to receive
7 refund under subsection (4) of this section may not be varied by
8 agreement.

9 NEW SECTION. **Sec. 4A-403.** PAYMENT BY SENDER TO RECEIVING BANK.

10 (1) Payment of the sender's obligation under section 4A-402 of this act
11 to pay the receiving bank occurs as follows:

12 (a) If the sender is a bank, payment occurs when the receiving bank
13 receives final settlement of the obligation through a federal reserve
14 bank or through a funds transfer system.

15 (b) If the sender is a bank and the sender (i) credited an account
16 of the receiving bank with the sender, or (ii) caused an account of the
17 receiving bank in another bank to be credited, payment occurs when the
18 credit is withdrawn or, if not withdrawn, at midnight of the day on
19 which the credit is withdrawable and the receiving bank learns of that
20 fact.

21 (c) If the receiving bank debits an account of the sender with the
22 receiving bank, payment occurs when the debit is made to the extent the
23 debit is covered by a withdrawable credit balance in the account.

24 (2)(a) If the sender and receiving bank are members of a funds
25 transfer system that nets obligations multilaterally among
26 participants, the receiving bank receives final settlement when
27 settlement is complete in accordance with the rules of the system.

28 (b) The obligation of the sender to pay the amount of a payment
29 order transmitted through the funds transfer system may be satisfied,

1 to the extent permitted by the rules of the system, by setting off and
2 applying against the sender's obligation the right of the sender to
3 receive payment from the receiving bank of the amount of any other
4 payment order transmitted to the sender by the receiving bank through
5 the funds transfer system.

6 (c) The aggregate balance of obligations owed by each sender to
7 each receiving bank in the funds transfer system may be satisfied, to
8 the extent permitted by the rules of the system, by setting off and
9 applying against that balance the aggregate balance of obligations owed
10 to the sender by other members of the system.

11 (d) The aggregate balance is determined after the right of setoff
12 stated in (b) of this subsection has been exercised.

13 (3) If two banks transmit payment orders to each other under an
14 agreement that settlement of the obligations of each bank to the other
15 under section 4A-402 of this act will be made at the end of the day or
16 other period, the total amount owed with respect to all orders
17 transmitted by one bank shall be set off against the total amount owed
18 with respect to all orders transmitted by the other bank. To the
19 extent of the setoff each bank has made payment to the other.

20 (4) In any case not covered by subsection (1) of this section, the
21 time when payment of the sender's obligation under section 4A-402 (2)
22 or (3) of this act occurs is governed by applicable principles of law
23 that determine when an obligation is satisfied.

24 NEW SECTION. **Sec. 4A-404.** OBLIGATION OF BENEFICIARY'S BANK TO PAY
25 AND GIVE NOTICE TO BENEFICIARY. (1) Subject to sections 4A-211(5) and
26 4A-405 (4) and (5) of this act, if a beneficiary's bank accepts a
27 payment order, the bank is obliged to pay the amount of the order to
28 the beneficiary of the order. Payment is due on the payment date of
29 the order, but if acceptance occurs on the payment date after the close

1 of the funds transfer business day of the bank, payment is due on the
2 next funds transfer business day. If the bank refuses to pay after
3 demand by the beneficiary and receipt of notice of particular
4 circumstances that will give rise to consequential damages as a result
5 of nonpayment, the beneficiary may recover damages resulting from the
6 refusal to pay to the extent the bank had notice of the damages, unless
7 the bank proves that it did not pay because of a reasonable doubt
8 concerning the right of the beneficiary to payment.

9 (2) If a payment order accepted by the beneficiary's bank instructs
10 payment to an account of the beneficiary, the bank is obliged to give
11 notice to the beneficiary of receipt of the order before midnight of
12 the next funds transfer business day following the payment date. If the
13 payment order does not instruct payment to an account of the
14 beneficiary, the bank is required to give the notice to the beneficiary
15 only if notice is required by the order. Notice may be given by first
16 class mail or any other means reasonable in the circumstances. If the
17 bank fails to give notice as required by this subsection, the bank is
18 obliged to pay interest to the beneficiary on the amount of the payment
19 order from the day notice should have been given until the day the
20 beneficiary learned of receipt of the payment order by the bank. No
21 other damages are recoverable. Reasonable attorneys' fees are also
22 recoverable if demand for interest is made and refused before an action
23 is brought on the claim.

24 (3) The right of a beneficiary to receive payment and damages as
25 stated in subsection (1) of this section may not be varied by agreement
26 or a funds transfer system rule. The right of a beneficiary to be
27 given notice as stated in subsection (2) of this section may be varied
28 by agreement of the beneficiary or by a funds transfer system rule if
29 the beneficiary is given notice of the rule before initiation of the
30 funds transfer.

1 NEW SECTION. **Sec. 4A-405.** PAYMENT BY BENEFICIARY'S BANK TO

2 BENEFICIARY. (1) If a beneficiary's bank credits an account of the
3 beneficiary of a payment order, payment of the bank's obligation under
4 section 4A-404(1) of this act occurs when and to the extent (a) the
5 beneficiary is given notice of the right to withdraw the credit, (b)
6 the bank lawfully applies the credit to a debt of the beneficiary, or
7 (c) funds with respect to the order are otherwise made available to the
8 beneficiary by the bank.

9 (2) If the beneficiary's bank does not credit an account of the
10 beneficiary of a payment order, payment of the bank's obligation under
11 section 4A-404(1) of this act is governed by applicable principles of
12 law that determine when an obligation is satisfied.

13 (3) Except as stated in subsections (4) and (5) of this section, if
14 a beneficiary's bank pays the beneficiary of a payment order under a
15 condition to payment or agreement of the beneficiary giving the bank
16 the right to recover payment from the beneficiary if the bank does not
17 receive payment of the order, the condition to payment or agreement is
18 not enforceable.

19 (4) A funds transfer system rule may provide that payments made to
20 beneficiaries of funds transfers made through the system are
21 provisional until receipt of payment by the beneficiary's bank of the
22 payment order it accepted. A beneficiary's bank that makes a payment
23 that is provisional under the rule is entitled to refund from the
24 beneficiary if (a) the rule requires that both the beneficiary and the
25 originator be given notice of the provisional nature of the payment
26 before the funds transfer is initiated, (b) the beneficiary, the
27 beneficiary's bank, and the originator's bank agreed to be bound by the
28 rule, and (c) the beneficiary's bank did not receive payment of the
29 payment order that it accepted. If the beneficiary is obliged to
30 refund payment to the beneficiary's bank, acceptance of the payment

1 order by the beneficiary's bank is nullified and no payment by the
2 originator of the funds transfer to the beneficiary occurs under
3 section 4A-406 of this act.

4 (5) This subsection applies if a funds transfer includes a payment
5 order transmitted over a funds transfer system that (a) nets
6 obligations multilaterally among participants, and (b) has in effect a
7 loss-sharing agreement among participants for the purpose of providing
8 funds necessary to complete settlement of the obligations of one or
9 more participants that do not meet their settlement obligations. If
10 the beneficiary's bank in the funds transfer accepts a payment order
11 and the system fails to complete settlement pursuant to its rules with
12 respect to any payment order in the funds transfer, (a) the acceptance
13 by the beneficiary's bank is nullified and no person has any right or
14 obligation based on the acceptance, (b) the beneficiary's bank is
15 entitled to recover payment from the beneficiary, (c) no payment by the
16 originator to the beneficiary occurs under section 4A-406 of this act,
17 and (d) subject to section 4A-402(5) of this act, each sender in the
18 funds transfer is excused from its obligation to pay its payment order
19 under section 4A-402(3) of this act because the funds transfer has not
20 been completed.

21 NEW SECTION. **Sec. 4A-406.** PAYMENT BY ORIGINATOR TO BENEFICIARY--
22 DISCHARGE OF UNDERLYING OBLIGATION. (1) Subject to sections 4A-211(5)
23 and 4A-405 (4) and (5) of this act, the originator of a funds transfer
24 pays the beneficiary of the originator's payment order (a) at the time
25 a payment order for the benefit of the beneficiary is accepted by the
26 beneficiary's bank in the funds transfer and (b) in an amount equal to
27 the amount of the order accepted by the beneficiary's bank, but not
28 more than the amount of the originator's order.

1 (2) If payment under subsection (1) of this section is made to
2 satisfy an obligation, the obligation is discharged to the same extent
3 discharge would result from payment to the beneficiary of the same
4 amount in money, unless (a) the payment under subsection (1) of this
5 section was made by a means prohibited by the contract of the
6 beneficiary with respect to the obligation, (b) the beneficiary, within
7 a reasonable time after receiving notice of receipt of the order by the
8 beneficiary's bank, notified the originator of the beneficiary's
9 refusal of the payment, (c) funds with respect to the order were not
10 withdrawn by the beneficiary or applied to a debt of the beneficiary,
11 and (d) the beneficiary would suffer a loss that could reasonably have
12 been avoided if payment had been made by a means complying with the
13 contract. If payment by the originator does not result in discharge
14 under this section, the originator is subrogated to the rights of the
15 beneficiary to receive payment from the beneficiary's bank pursuant to
16 section 4A-404(1) of this act.

17 (3) For the purpose of determining whether discharge of an
18 obligation occurs under subsection (2) of this section, if the
19 beneficiary's bank accepts a payment order in an amount equal to the
20 amount of the originator's payment order less charges of one or more
21 receiving banks in the funds transfer, payment to the beneficiary is
22 deemed to be in the amount of the originator's order unless upon demand
23 by the beneficiary the originator does not pay the beneficiary the
24 amount of the deducted charges.

25 (4) Rights of the originator or of the beneficiary of a funds
26 transfer under this section may be varied only by agreement of the
27 originator and the beneficiary.

MISCELLANEOUS PROVISIONS

NEW SECTION. **Sec. 4A-501.** VARIATION BY AGREEMENT AND EFFECT OF FUNDS TRANSFER SYSTEM RULE. (1) Except as otherwise provided in this Article, rights and obligations of a party to a funds transfer may be varied by agreement of the affected party.

(2) "Funds transfer system rule" means a rule of (a) an association of banks governing transmission of payment orders by means of a funds transfer system of the association or rights and obligations with respect to those orders, or (b) an association of banks to the extent the rule governs rights and obligations between banks that are parties to a funds transfer in which a federal reserve bank, acting as an intermediary bank, sends a payment order to the beneficiary's bank. Unless the contrary is stated in this Article, a funds transfer system rule governing rights and obligations between participating banks utilizing the system may be effective even if the rule conflicts with this Article and indirectly affects another party to the funds transfer who does not consent to the rule. A funds transfer system rule may also govern rights and obligations of parties other than participating banks utilizing the system to the extent stated in sections 4A-404(3), 4A-405(4), and 4A-507(3) of this act.

NEW SECTION. **Sec. 4A-502.** CREDITOR PROCESS SERVED ON RECEIVING BANK--SETOFF BY BENEFICIARY'S BANK. (1) As used in this section, "creditor process" means levy, attachment, garnishment, notice of lien, sequestration, or similar process issued by or on behalf of a creditor or other claimant with respect to an account.

(2) This subsection applies if creditor process with respect to an authorized account of the sender of a payment order is served on the

1 receiving bank. For the purpose of determining rights with respect to
2 the creditor process, if the receiving bank accepts the payment order
3 the balance in the authorized account is deemed to be reduced by the
4 amount of the payment order to the extent the bank did not otherwise
5 receive payment of the order, unless the creditor process is served at
6 a time and in a manner affording the bank a reasonable opportunity to
7 act on it before the bank accepts the payment order.

8 (3) This subsection applies if a beneficiary's bank has received a
9 payment order for payment to the beneficiary's account in the bank.

10 (a) The bank may credit the beneficiary's account and the amount
11 credited may be set off against an obligation owed by the beneficiary
12 to the bank or may be applied to satisfy creditor process served on the
13 bank with respect to the account.

14 (b) The bank may credit the beneficiary's account and may allow
15 withdrawal of the amount credited unless creditor process with respect
16 to the account is served at a time and in a manner affording the bank
17 a reasonable opportunity to act to prevent withdrawal.

18 (c) If creditor process with respect to the account has been served
19 and the bank has had a reasonable opportunity to act on it, the bank
20 may not reject the payment order except for a reason unrelated to the
21 service of process.

22 (4) Creditor process with respect to a payment by the originator to
23 the beneficiary pursuant to a funds transfer may be served only on the
24 beneficiary's bank with respect to the debt owed by that bank to the
25 beneficiary. Any other bank served with the creditor process is not
26 obliged to act with respect to the process.

27 NEW SECTION. **Sec. 4A-503.** INJUNCTION OR RESTRAINING ORDER WITH
28 RESPECT TO FUNDS TRANSFER. For proper cause and in compliance with
29 applicable law, a court may restrain (1) a person from issuing a

1 payment order to initiate a funds transfer, (2) an originator's bank
2 from executing the payment order of the originator, or (3) the
3 beneficiary's bank from releasing funds to the beneficiary or the
4 beneficiary from withdrawing the funds. A court may not otherwise
5 restrain a person from issuing a payment order, paying or receiving
6 payment of a payment order, or otherwise acting with respect to a funds
7 transfer.

8 NEW SECTION. **Sec. 4A-504.** ORDER IN WHICH ITEMS AND PAYMENT ORDERS
9 MAY BE CHARGED TO AN ACCOUNT--ORDER OF WITHDRAWALS FROM AN ACCOUNT.

10 (1) If a receiving bank has received more than one payment order of the
11 sender or one or more payment orders and other items that are payable
12 from the sender's account, the bank may charge the sender's account
13 with respect to the various orders and items in any sequence.

14 (2) In determining whether a credit to an account has been
15 withdrawn by the holder of the account or applied to a debt of the
16 holder of the account, credits first made to the account are first
17 withdrawn or applied.

18 NEW SECTION. **Sec. 4A-505.** PRECLUSION OF OBJECTION TO DEBIT OF
19 CUSTOMER'S ACCOUNT. If a receiving bank has received payment from its
20 customer with respect to a payment order issued in the name of the
21 customer as sender and accepted by the bank, and the customer received
22 notification reasonably identifying the order, the customer is
23 precluded from asserting that the bank is not entitled to retain the
24 payment unless the customer notifies the bank of the customer's
25 objection to the payment within one year after the notification was
26 received by the customer.

1 NEW SECTION. **Sec. 4A-506.** RATE OF INTEREST. (1) If, pursuant to
2 this Article, a receiving bank is obliged to pay interest with respect
3 to a payment order issued to the bank, the amount payable may be
4 determined (a) by agreement of the sender and receiving bank, or (b) if
5 the payment order is transmitted through a funds transfer system, by a
6 funds transfer system rule.

7 (2) If the amount of interest is not determined by an agreement or
8 rule as stated in subsection (1) of this section, the amount is
9 calculated by multiplying the applicable federal funds rate by the
10 amount on which interest is payable, and then multiplying the product
11 by the number of days for which interest is payable. The applicable
12 federal funds rate is the average of the federal funds rates published
13 by the federal reserve bank of New York for each of the days for which
14 interest is payable divided by three hundred sixty. The federal funds
15 rate for any day on which a published rate is not available is the same
16 as the published rate for the next preceding day for which there is a
17 published rate. If a receiving bank that accepted a payment order is
18 required to refund payment to the sender of the order because the funds
19 transfer was not completed, but the failure to complete was not due to
20 any fault by the bank, the interest payable is reduced by a percentage
21 equal to the reserve requirement on deposits of the receiving bank.

22 NEW SECTION. **Sec. 4A-507.** CHOICE OF LAW. (1) The following rules
23 apply unless the affected parties otherwise agree or subsection (3) of
24 this section applies:

25 (a) The rights and obligations between the sender of a payment
26 order and the receiving bank are governed by the law of the
27 jurisdiction in which the receiving bank is located.

1 (b) The rights and obligations between the beneficiary's bank and
2 the beneficiary are governed by the law of the jurisdiction in which
3 the beneficiary's bank is located.

4 (c) The issue of when payment is made pursuant to a funds transfer
5 by the originator to the beneficiary is governed by the law of the
6 jurisdiction in which the beneficiary's bank is located.

7 (2) If the parties described in subsection (1) (a), (b), and (c) of
8 this section have made an agreement selecting the law of a particular
9 jurisdiction to govern rights and obligations between each other, the
10 law of that jurisdiction governs those rights and obligations, whether
11 or not the payment order or the funds transfer bears a reasonable
12 relation to that jurisdiction.

13 (3) A funds transfer system rule may select the law of a particular
14 jurisdiction to govern (a) rights and obligations between participating
15 banks with respect to payment orders transmitted or processed through
16 the system, or (b) the rights and obligations of some or all parties to
17 a funds transfer any part of which is carried out by means of the
18 system. A choice of law made pursuant to (a) of this subsection is
19 binding on participating banks.

20 A choice of law made pursuant to (b) of this subsection is binding
21 on the originator, other sender, or a receiving bank having notice that
22 the funds transfer system might be used in the funds transfer and of
23 the choice of law by the system when the originator, other sender, or
24 receiving bank issued or accepted a payment order. The beneficiary of
25 a funds transfer is bound by the choice of law if, at the time the
26 funds transfer is initiated, the beneficiary has notice that the funds
27 transfer system might be used in the funds transfer and of the choice
28 of law by the system. The law of a jurisdiction selected pursuant to
29 this subsection may govern whether or not that law bears a reasonable
30 relation to the matter in issue.

1 (4) In the event of inconsistency between an agreement under
2 subsection (2) of this section and a choice of law rule under
3 subsection (3) of this section, the agreement under subsection (2) of
4 this section prevails.

5 (5) If a funds transfer is made by use of more than one funds
6 transfer system and there is inconsistency between choice of law rules
7 of the systems, the matter in issue is governed by the law of the
8 selected jurisdiction that has the most significant relationship to the
9 matter in issue.

10 NEW SECTION. **Sec. 4A-901.** Sections 4A-101 through 4A-507 of this
11 act shall constitute a new Article in Title 62A RCW.