

1 1095 AAS 6/24/91

2 **HB 1095** - S AMD

3 By Senator von Reichbauer

4 ADOPTED 6/24/91

5 Strike everything after the enacting clause and insert the
6 following:

7 "PART 1

8 SUBJECT MATTER AND DEFINITIONS"

9 "NEW SECTION. **Sec. 4A-101.** SHORT TITLE. This Article may be
10 cited as the Uniform Commercial Code--Funds Transfers."

11 "NEW SECTION. **Sec. 4A-102.** SUBJECT MATTER. Except as otherwise
12 provided in section 4A-108 of this act this Article applies to funds
13 transfers defined in section 4A-104 of this act."

14 "NEW SECTION. **Sec. 4A-103.** PAYMENT ORDER--DEFINITIONS. (1) In
15 this Article:

16 (a) "Payment order" means an instruction of a sender to a receiving
17 bank, transmitted orally, electronically, or in writing, to pay, or to
18 cause another bank to pay, a fixed or determinable amount of money to
19 a beneficiary if:

20 (i) The instruction does not state a condition of payment to the
21 beneficiary other than time of payment;

22 (ii) The receiving bank is to be reimbursed by debiting an account
23 of, or otherwise receiving payment from, the sender; and

24 (iii) The instruction is transmitted by the sender directly to the
25 receiving bank or to an agent, funds-transfer system, or communication
26 system for transmittal to the receiving bank.

1 (b) "Beneficiary" means the person to be paid by the beneficiary's
2 bank.

3 (c) "Beneficiary's bank" means the bank identified in a payment
4 order in which an account of the beneficiary is to be credited pursuant
5 to the order or which otherwise is to make payment to the beneficiary
6 if the order does not provide for payment to an account.

7 (d) "Receiving bank" means the bank to which the sender's
8 instruction is addressed.

9 (e) "Sender" means the person giving the instruction to the
10 receiving bank.

11 (2) If an instruction complying with subsection (1)(a) of this
12 section is to make more than one payment to a beneficiary, the
13 instruction is a separate payment order with respect to each payment.

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

16 "NEW SECTION. Sec. 4A-104. FUNDS TRANSFER--DEFINITIONS. In this
17 Article:

18 (1) "Funds transfer" means the series of transactions, beginning
19 with the originator's payment order, made for the purpose of making
20 payment to the beneficiary of the order. The term includes any payment
21 order issued by the originator's bank or an intermediary bank intended
22 to carry out the originator's payment order. A funds transfer is
23 completed by acceptance by the beneficiary's bank of a payment order
24 for the benefit of the beneficiary of the originator's payment order.

25 (2) "Intermediary bank" means a receiving bank other than the
26 originator's bank or the beneficiary's bank.

27 (3) "Originator" means the sender of the first payment order in a
28 funds transfer.

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

4 "NEW SECTION. Sec. 4A-105. OTHER DEFINITIONS. (1) In this
5 Article:

6 (a) "Authorized account" means a deposit account of a customer in
7 a bank designated by the customer as a source of payment orders issued
8 by the customer to the bank. If a customer does not so designate an
9 account, any account of the customer is an authorized account if
10 payment of a payment order from that account is not inconsistent with
11 a restriction on the use of the account.

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

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

18 (d) "Funds-transfer business day" of a receiving bank means the
19 part of a day during which the receiving bank is open for the receipt,
20 processing, and transmittal of payment orders and cancellations and
21 amendments of payment orders.

22 (e) "Funds-transfer system" means a wire transfer network,
23 automated clearing house, or other communication system of a clearing
24 house or other association of banks through which a payment order by a
25 bank may be transmitted to the bank to which the order is addressed.

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

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

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

3	"Acceptance"	section 4A-209 of this act
4	"Beneficiary"	section 4A-103 of this act
5	"Beneficiary's bank"	section 4A-103 of this act
6	"Executed"	section 4A-301 of this act
7	"Execution date"	section 4A-301 of this act
8	"Funds transfer"	section 4A-104 of this act
9	"Funds-transfer system rule"	section 4A-501 of this act
10	"Intermediary bank"	section 4A-104 of this act
11	"Originator"	section 4A-104 of this act
12	"Originator's bank"	section 4A-104 of this act
13	"Payment by beneficiary's bank 14 to beneficiary"	section 4A-405 of this act
15	"Payment by originator to 16 beneficiary"	section 4A-406 of this act
17	"Payment by sender to 18 receiving bank"	section 4A-403 of this act
19	"Payment date"	section 4A-401 of this act
20	"Payment order"	section 4A-103 of this act
21	"Receiving bank"	section 4A-103 of this act
22	"Security procedure"	section 4A-201 of this act
23	"Sender"	section 4A-103 of this act

24 (3) The following definitions in Article 4 (RCW 62A.4-101 through
25 62A.4-504) apply to this Article:

26	"Clearing house"	section 4-104 of this act
27	"Item"	section 4-104 of this act
28	"Suspends payments"	sections 4-104 of this act

29 (4) In addition to Article 1 (RCW 62A.1-101 through 62A.1-208)
30 contains general definitions and principles of construction and
31 interpretation applicable throughout this Article."

1 "NEW SECTION. Sec. 4A-106. TIME PAYMENT ORDER IS RECEIVED. (1)

2 The time of receipt of a payment order or communication canceling or
3 amending a payment order is determined by the rules applicable to
4 receipt of a notice stated in RCW 62A.1-201(27). A receiving bank may
5 fix a cut-off time or times on a funds-transfer business day for the
6 receipt and processing of payment orders and communications canceling
7 or amending payment orders. Different cut-off times may apply to
8 payment orders, cancellations, or amendments, or to different
9 categories of payment orders, cancellations, or amendments. A cut-off
10 time may apply to senders generally or different cut-off times may
11 apply to different senders or categories of payment orders. If a
12 payment order or communication canceling or amending a payment order is
13 received after the close of a funds-transfer business day or after the
14 appropriate cut-off time on a funds-transfer business day, the
15 receiving bank may treat the payment order or communication as received
16 at the opening of the next funds-transfer business day.

17 (2) If this Article refers to an execution date or payment date or
18 states a day on which a receiving bank is required to take action, and
19 the date or day does not fall on a funds-transfer business day, the
20 next day that is a funds-transfer business day is treated as the date
21 or day stated, unless the contrary is stated in this Article."

22 "NEW SECTION. Sec. 4A-107. FEDERAL RESERVE REGULATIONS AND
23 OPERATING CIRCULARS. Regulations of the board of governors of the
24 federal reserve system and operating circulars of the federal reserve
25 banks supersede any inconsistent provision of this Article to the
26 extent of the inconsistency."

27 "NEW SECTION. Sec. 4A-108. EXCLUSION OF CONSUMER TRANSACTIONS
28 GOVERNED BY FEDERAL LAW. This Article does not apply to a funds

1 transfer any part of which is governed by the Electronic Fund Transfer
2 Act of 1978 (Title XX, P.L. 95-630, 92 Stat. 3728, 15 U.S.C. Sec. 1693
3 et seq.) as amended from time to time."

4 "PART 2

5 ISSUE AND ACCEPTANCE OF PAYMENT ORDER"

6 "NEW SECTION. **Sec. 4A-201.** SECURITY PROCEDURE. "Security
7 procedure" means a procedure established by agreement of a customer and
8 a receiving bank for the purpose of (1) verifying that a payment order
9 or communication amending or canceling a payment order is that of the
10 customer, or (2) detecting error in the transmission or the content of
11 the payment order or communication. A security procedure may require
12 the use of algorithms or other codes, identifying words or numbers,
13 encryption, callback procedures, or similar security devices.
14 Comparison of a signature on a payment order or communication with an
15 authorized specimen signature of the customer is not by itself a
16 security procedure."

17 "NEW SECTION. **Sec. 4A-202.** AUTHORIZED AND VERIFIED PAYMENT
18 ORDERS. (1) A payment order received by the receiving bank is the
19 authorized order of the person identified as sender if that person
20 authorized the order or is otherwise bound by it under the law of
21 agency.

22 (2) If a bank and its customer have agreed that the authenticity of
23 payment orders issued to the bank in the name of the customer as sender
24 will be verified pursuant to a security procedure, a payment order
25 received by the receiving bank is effective as the order of the
26 customer, whether or not authorized, if (a) the security procedure is
27 a commercially reasonable method of providing security against

1 unauthorized payment orders, and (b) the bank proves that it accepted
2 the payment order in good faith and in compliance with the security
3 procedure and any written agreement or instruction of the customer
4 restricting acceptance of payment orders issued in the name of the
5 customer. The bank is not required to follow an instruction that
6 violates a written agreement with the customer or notice of which is
7 not received at a time and in a manner affording the bank a reasonable
8 opportunity to act on it before the payment order is accepted.

9 (3) Commercial reasonableness of a security procedure is a question
10 of law to be determined by considering the wishes of the customer
11 expressed to the bank, the circumstances of the customer known to the
12 bank, including the size, type, and frequency of payment orders
13 normally issued by the customer to the bank, alternative security
14 procedures offered to the customer, and security procedures in general
15 use by customers and receiving banks similarly situated. A security
16 procedure is deemed to be commercially reasonable if (a) the security
17 procedure was chosen the customer after the bank offered, and the
18 customer refused, a security procedure that was commercially reasonable
19 for that customer, and (b) the customer expressly agreed in writing to
20 be bound by any payment order, whether or not authorized, issued in its
21 name, and accepted by the bank in compliance with the security
22 procedure chosen by the customer.

23 (4) The term "sender" in this Article includes the customer in
24 whose name a payment order is issued if the order is the authorized
25 order of the customer under subsection (1) of this section, or it is
26 effective as the order of the customer under subsection (2) of this
27 section.

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

1 (6) Except as provided in this section and section 4A-203(1)(a) of
2 this act, rights and obligations arising under this section or section
3 4A-203 of this act may not be varied by agreement."

4 "NEW SECTION. Sec. 4A-203. UNENFORCEABILITY OF CERTAIN VERIFIED
5 PAYMENT ORDERS. (1) If an accepted payment order is not, under section
6 4A-202(1) of this act, an authorized order of a customer identified as
7 sender, but is effective as an order of the customer pursuant to
8 section 4A-202(2) of this act, the following rules apply.

9 (a) By express written agreement, the receiving bank may limit the
10 extent to which it is entitled to enforce or retain payment of the
11 payment order.

12 (b) The receiving bank is not entitled to enforce or retain payment
13 of the payment order if the customer proves that the order was not
14 caused, directly or indirectly, by a person (i) entrusted at any time
15 with duties to act for the customer with respect to payment orders or
16 the security procedure, or (ii) who obtained access to transmitting
17 facilities of the customer or who obtained, from a source controlled by
18 the customer and without authority of the receiving bank, information
19 facilitating breach of the security procedure, regardless of how the
20 information was obtained or whether the customer was at fault.
21 Information includes any access device, computer software, or the like.

22 (2) This section applies to amendments of payment orders to the
23 same extent it applies to payment orders."

24 "NEW SECTION. Sec. 4A-204. REFUND OF PAYMENT AND DUTY OF CUSTOMER
25 TO REPORT WITH RESPECT UNAUTHORIZED PAYMENT ORDER. (1) If a receiving
26 bank accepts a payment order issued in the name of its customer as
27 sender which is (a) not authorized and not effective as the order of
28 the customer under section 4A-202 of this act, or (b) not enforceable,

1 in whole or in part, against the customer under section 4A-203 of this
2 act, the bank shall refund any payment of the payment order received
3 from the customer to the extent the bank is not entitled to enforce
4 payment and shall pay interest on the refundable amount calculated from
5 the date the bank received payment to the date of the refund. However,
6 the customer is not entitled to interest from the bank on the amount to
7 be refunded if the customer fails to exercise ordinary care to
8 determine that the order was not authorized by the customer and to
9 notify the bank of the relevant facts within a reasonable time not
10 exceeding ninety days after the date the customer received notification
11 from the bank that the order was accepted or that the customer's
12 account was debited with respect to the order. The bank is not
13 entitled to any recovery from the customer on account of a failure by
14 the customer to give notification as stated in this section.

15 (2) Reasonable time under subsection (1) of this section may be
16 fixed by agreement as stated in RCW 62A.1-204(1), but the obligation of
17 a receiving bank to refund payment as stated in subsection (1) may not
18 otherwise be varied by agreement."

19 "NEW SECTION. Sec. 4A-205. ERRONEOUS PAYMENT ORDERS. (1) If an
20 accepted payment order was transmitted pursuant to a security procedure
21 for the detection of error and the payment order (a) erroneously
22 instructed payment to a beneficiary not intended by the sender, (b)
23 erroneously instructed payment in an amount greater than the amount
24 intended by the sender, or (c) was an erroneously transmitted duplicate
25 of a payment order previously sent by the sender, the following rules
26 apply:

27 (i) If the sender proves that the sender or a person acting on
28 behalf of the sender pursuant to section 4A-206 of this act complied
29 with the security procedure and that the error would have been detected

1 if the receiving bank had also complied, the sender is not obliged to
2 pay the order to the extent stated in (ii) and (iii) of this
3 subsection.

4 (ii) If the funds transfer is completed on the basis of an
5 erroneous payment order described in (b) or (c) of this subsection, the
6 sender is not obliged to pay the order and the receiving bank is
7 entitled to recover from the beneficiary any amount paid to the
8 beneficiary to the extent allowed by the law governing mistake and
9 restitution.

10 (iii) If the funds transfer is completed on the basis of a payment
11 order described in (b) of this subsection, the sender is not obliged to
12 pay the order to the extent the amount received by the beneficiary is
13 greater than the amount intended by the sender. In that case, the
14 receiving bank is entitled to recover from the beneficiary the excess
15 amount received to the extent allowed by the law governing mistake and
16 restitution.

17 (2) If (a) the sender of an erroneous payment order described in
18 subsection (1) of this section is not obliged to pay all or part of the
19 order, and (b) the sender receives notification from the receiving bank
20 that the order was accepted by the bank or that the sender's account
21 was debited with respect to the order, the sender has a duty to
22 exercise ordinary care, on the basis of information available to the
23 sender, to discover the error with respect to the order and to advise
24 the bank of the relevant facts within a reasonable time, not exceeding
25 ninety days, after the bank's notification was received by the sender.
26 If the bank proves that the sender failed to perform that duty, the
27 sender is liable to the bank for the loss the bank proves it incurred
28 as a result of the failure, but the liability of the sender may not
29 exceed the amount of the sender's order.

1 (3) This section applies to amendments to payment orders to the
2 same extent it applies to payment orders."

3 "NEW SECTION. Sec. 4A-206. TRANSMISSION OF PAYMENT ORDER THROUGH
4 FUNDS-TRANSFER OR OTHER COMMUNICATION SYSTEM. (1) If a payment order
5 addressed to a receiving bank is transmitted to a funds-transfer system
6 or other third-party communication system for transmittal to the bank,
7 the system is deemed to be an agent of the sender for the purpose of
8 transmitting the payment order to the bank. If there is a discrepancy
9 between the terms of the payment order transmitted to the system and
10 the terms of the payment order transmitted by the system to the bank,
11 the terms of the payment order of the sender are those transmitted by
12 the system. This section does not apply to a funds-transfer system of
13 the federal reserve banks.

14 (2) This section applies to cancellations and amendments of payment
15 orders to the same extent it applies to payment orders."

16 "NEW SECTION. Sec. 4A-207. MISDESCRIPTION OF BENEFICIARY. (1)
17 Subject to subsection (2) of this section, if, in a payment order
18 received by the beneficiary's bank, the name, bank account number, or
19 other identification of the beneficiary refers to a nonexistent or
20 unidentifiable person or account, no person has rights as a beneficiary
21 of the order and acceptance of the order cannot occur.

22 (2) If a payment order received by the beneficiary's bank
23 identifies the beneficiary both by name and by an identifying or bank
24 account number and the name and number identify different persons, the
25 following rules apply:

26 (a) Except as otherwise provided in subsection (3) of this section,
27 if the beneficiary's bank does not know that the name and number refer
28 to different persons, it may rely on the number as the proper

1 identification of the beneficiary of the order. The beneficiary's bank
2 need not determine whether the name and number refer to the same
3 person.

4 (b) If the beneficiary's bank pays the person identified by name or
5 knows that the name and number identify different persons, no person
6 has rights as beneficiary except the person paid by the beneficiary's
7 bank if that person was entitled to receive payment from the originator
8 of the funds transfer. If no person has rights as beneficiary,
9 acceptance of the order cannot occur.

10 (3) If (a) a payment order described in subsection (2) of this
11 section is accepted, (b) the originator's payment order described the
12 beneficiary inconsistently by name and number, and (c) the
13 beneficiary's bank pays the person identified by number as permitted by
14 subsection (2)(a) of this section, the following rules apply:

15 (i) If the originator is a bank, the originator is obliged to pay
16 its order.

17 (ii) If the originator is not a bank and proves that the person
18 identified by number was not entitled to receive payment from the
19 originator, the originator is not obliged to pay its order unless the
20 originator's bank proves that the originator, before acceptance of the
21 originator's order, had notice that payment of a payment order issued
22 by the originator might be made by the beneficiary's bank on the basis
23 of an identifying or bank account number even if it identifies a person
24 different from the named beneficiary. Proof of notice may be made by
25 any admissible evidence. The originator's bank satisfies the burden of
26 proof if it proves that the originator, before the payment order was
27 accepted, signed a writing stating the information to which the notice
28 relates.

29 (4) In a case governed by subsection (2)(a) of this section, if the
30 beneficiary's bank rightfully pays the person identified by number and

1 that person was not entitled to receive payment from the originator,
2 the amount paid may be recovered from that person to the extent allowed
3 by the law governing mistake and restitution as follows:

4 (a) If the originator is obliged to pay its payment order as stated
5 in subsection (3) of this section, the originator has the right to
6 recover.

7 (b) If the originator is not a bank and is not obliged to pay its
8 payment order, the originator's bank has the right to recover."

9 "NEW SECTION. Sec. 4A-208. MISDESCRIPTION OF INTERMEDIARY BANK OR
10 BENEFICIARY'S BANK. (1) This subsection applies to a payment order
11 identifying an intermediary bank or the beneficiary's bank only by an
12 identifying number.

13 (a) The receiving bank may rely on the number as the proper
14 identification of the intermediary or beneficiary's bank and need not
15 determine whether the number identifies a bank.

16 (b) The sender is obliged to compensate the receiving bank for any
17 loss and expenses incurred by the receiving bank as a result of its
18 reliance on the number in executing or attempting to execute the order.

19 (2) This subsection applies to a payment order identifying an
20 intermediary bank or the beneficiary's bank both by name and an
21 identifying number if the name and number identify different persons.

22 (a) If the sender is a bank, the receiving bank may rely on the
23 number as the proper identification of the intermediary or
24 beneficiary's bank if the receiving bank, when it executes the sender's
25 order, does not know that the name and number identify different
26 persons. The receiving bank need not determine whether the name and
27 number refer to the same person or whether the number refers to a bank.
28 The sender is obliged to compensate the receiving bank for any loss and

1 expenses incurred by the receiving bank as a result of its reliance on
2 the number in executing or attempting to execute the order.

3 (b) If the sender is not a bank and the receiving bank proves that
4 the sender, before the payment order was accepted, had notice that the
5 receiving bank might rely on the number as the proper identification of
6 the intermediary or beneficiary's bank even if it identifies a person
7 different from the bank identified by name, the rights and obligations
8 of the sender and the receiving bank are governed by subsection (2)(a)
9 of this section, as though the sender were a bank. Proof of notice may
10 be made by any admissible evidence. The receiving bank satisfies the
11 burden of proof if it proves that the sender, before the payment order
12 was accepted, signed a writing stating the information to which the
13 notice relates.

14 (c) Regardless of whether the sender is a bank, the receiving bank
15 may rely on the name as the proper identification of the intermediary
16 or beneficiary's bank if the receiving bank, at the time it executes
17 the sender's order, does not know that the name and number identify
18 different persons. The receiving bank need not determine whether the
19 name and number refer to the same person.

20 (d) If the receiving bank knows that the name and number identify
21 different persons, reliance on either the name or the number in
22 executing the sender's payment order is a breach of the obligation
23 stated in section 4A-302(1)(a) of this act."

24 "NEW SECTION. **Sec. 4A-209.** ACCEPTANCE OF PAYMENT ORDER. (1)
25 Subject to subsection (4) of this section, a receiving bank other than
26 the beneficiary's bank accepts a payment order when it executes the
27 order.

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

4 (a) When the bank (i) pays the beneficiary as stated in section
5 4A-405(1) or (2) of this act or (ii) notifies the beneficiary of
6 receipt of the order or that the account of the beneficiary has been
7 credited with respect to the order unless the notice indicates that the
8 bank is rejecting the order or that funds with respect to the order may
9 not be withdrawn or used until receipt of payment from the sender of
10 the order;

11 (b) When the bank receives payment of the entire amount of the
12 sender's order pursuant to section 4A-403(1)(a) or (b) of this act; or

13 (c) The opening of the next funds-transfer business day of the bank
14 following the payment date of the order if, at that time, the amount of
15 the sender's order is fully covered by a withdrawable credit balance in
16 an authorized account of the sender or the bank has otherwise received
17 full payment from the sender, unless the order was rejected before that
18 time or is rejected within (i) one hour after that time, or (ii) one
19 hour after the opening of the next business day of the sender following
20 the payment date if that time is later. If notice of rejection is
21 received by the sender after the payment date and the authorized
22 account of the sender does not bear interest, the bank is obliged to
23 pay interest to the sender on the amount of the order for the number of
24 days elapsing after the payment date to the day the sender receives
25 notice or learns that the order was not accepted, counting that day as
26 an elapsed day. If the withdrawable credit balance during that period
27 falls below the amount of the order, the amount of interest payable is
28 reduced accordingly.

29 (3) Acceptance of a payment order cannot occur before the order is
30 received by the receiving bank. Acceptance does not occur under

1 subsection (2)(b) or (c) of this section if the beneficiary of the
2 payment order does not have an account with the receiving bank, the
3 account has been closed, or the receiving bank is not permitted by law
4 to receive credits for the beneficiary's account.

5 (4) A payment order issued to the originator's bank cannot be
6 accepted until the payment date if the bank is the beneficiary's bank,
7 or the execution date if the bank is not the beneficiary's bank. If
8 the originator's bank executes the originator's payment order before
9 the execution date or pays the beneficiary of the originator's payment
10 order before the payment date and the payment order is subsequently
11 canceled pursuant to section 4A-211(2) of this act, the bank may
12 recover from the beneficiary any payment received to the extent allowed
13 by the law governing mistake and restitution."

14 "NEW SECTION. **Sec. 4A-210.** REJECTION OF PAYMENT ORDER. (1) A
15 payment order is rejected by the receiving bank by a notice of
16 rejection transmitted to the sender orally, electronically, or in
17 writing. A notice of rejection need not use any particular words and
18 is sufficient if it indicates that the receiving bank is rejecting the
19 order or will not execute or pay the order. Rejection is effective
20 when the notice is given if transmission is by a means that is
21 reasonable in the circumstances. If notice of rejection is given by a
22 means that is not reasonable, rejection is effective when the notice is
23 received. If an agreement of the sender and receiving bank establishes
24 the means to be used to reject a payment order, (a) any means complying
25 with the agreement is reasonable and (b) any means not complying is not
26 reasonable unless no significant delay in receipt of the notice
27 resulted from the use of the noncomplying means.

28 (2) This subsection applies if a receiving bank other than the
29 beneficiary's bank fails to execute a payment order despite the

1 existence on the execution date of a withdrawable credit balance in an
2 authorized account of the sender sufficient to cover the order. If the
3 sender does not receive notice of rejection of the order on the
4 execution date and the authorized account of the sender does not bear
5 interest, the bank is obliged to pay interest to the sender on the
6 amount of the order for the number of days elapsing after the execution
7 date to the earlier of the day the order is canceled pursuant to
8 section 4A-211(4) of this act or the day the sender receives notice or
9 learns that the order was not executed, counting the final day of the
10 period as an elapsed day. If the withdrawable credit balance during
11 that period falls below the amount of the order, the amount of interest
12 is reduced accordingly.

13 (3) If a receiving bank suspends payments, all unaccepted payment
14 orders issued to it are deemed rejected at the time the bank suspends
15 payments.

16 (4) Acceptance of a payment order precludes a later rejection of
17 the order. Rejection of a payment order precludes a later acceptance
18 of the order."

19 "NEW SECTION. **Sec. 4A-211.** CANCELLATION AND AMENDMENT OF PAYMENT
20 ORDER. (1) A communication of the sender of a payment order canceling
21 or amending the order may be transmitted to the receiving bank orally,
22 electronically, or in writing. If a security procedure is in effect
23 between the sender and the receiving bank, the communication is not
24 effective to cancel or amend the order unless the communication is
25 verified pursuant to the security procedure or the bank agrees to the
26 cancellation or amendment.

27 (2) Subject to subsection (1) of this section, a communication by
28 the sender canceling or amending a payment order is effective to cancel
29 or amend the order if notice of the communication is received at a time

1 and in a manner affording the receiving bank a reasonable opportunity
2 to act on the communication before the bank accepts the payment order.

3 (3) After a payment order has been accepted, cancellation or
4 amendment of the order is not effective unless the receiving bank
5 agrees or a funds-transfer system rule allows cancellation or amendment
6 without agreement of the bank.

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

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

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

27 (5) A canceled payment order cannot be accepted. If an accepted
28 payment order is canceled, the acceptance is nullified and no person
29 has any right or obligation based on the acceptance. Amendment of a
30 payment order is deemed to be cancellation of the original order at the

1 time of amendment and issue of a new payment order in the amended form
2 at the same time.

3 (6) Unless otherwise provided in an agreement of the parties or in
4 a funds-transfer system rule, if the receiving bank, after accepting a
5 payment order, agrees to cancellation or amendment of the order by the
6 sender or is bound by a funds-transfer system rule allowing
7 cancellation or amendment without the bank's agreement, the sender,
8 whether or not cancellation or amendment is effective, is liable to the
9 bank for any loss and expenses, including reasonable attorneys' fees,
10 incurred by the bank as a result of the cancellation or amendment or
11 attempted cancellation or amendment.

12 (7) A payment order is not revoked by the death or legal incapacity
13 of the sender unless the receiving bank knows of the death or of an
14 adjudication of incapacity by a court of competent jurisdiction and has
15 reasonable opportunity to act before acceptance of the order.

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

18 "NEW SECTION. Sec. 4A-212. LIABILITY AND DUTY OF RECEIVING BANK
19 REGARDING UNACCEPTED PAYMENT ORDER. If a receiving bank fails to
20 accept a payment order that is obliged by express agreement to accept,
21 the bank is liable for breach of the agreement to the extent provided
22 in the agreement or in this Article, but does not otherwise have any
23 duty to accept a payment order or, before acceptance, to take any
24 action, or refrain from taking action, with respect to the order except
25 as provided in this Article or by express agreement. Liability based
26 on acceptance arises only when acceptance occurs as stated in section
27 4A-209 of this act and liability is limited to that provided in this
28 Article. A receiving bank is not the agent of the sender or
29 beneficiary of the payment order it accepts, or of any other party to

1 the funds transfer, and the bank owes no duty to any party to the funds
2 transfer except as provided in this Article or by express agreement."

3 "PART 3

4 EXECUTION OF SENDER'S PAYMENT ORDER BY RECEIVING BANK"

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

10 (2) "Execution date" of a payment order means the day on which the
11 receiving bank may properly issue a payment order in execution of the
12 sender's order. The execution date may be determined by instruction of
13 the sender but cannot be earlier than the day the order is received
14 and, unless otherwise determined, is the day the order is received. If
15 the sender's instruction states a payment date, the execution date is
16 the payment date or an earlier date on which execution is reasonably
17 necessary to allow payment to the beneficiary on the payment date."

18 "NEW SECTION. **Sec. 4A-302.** OBLIGATIONS OF RECEIVING BANK IN
19 EXECUTION OF PAYMENT ORDER. (1) Except as provided in subsections (2)
20 through (4) of this section, if the receiving bank accepts a payment
21 order pursuant to section 4A-209(1) of this act, the bank has the
22 following obligations in executing the order.

23 (a) The receiving bank is obliged to issue, on the execution date,
24 a payment order complying with the sender's order and to follow the
25 sender's instructions concerning (i) any intermediary bank or funds-
26 transfer system to be used in carrying out the funds transfer, or (ii)
27 the means by which payment orders are to be transmitted in the funds

1 transfer. If the originator's bank issues a payment order to an
2 intermediary bank, the originator's bank is obliged to instruct the
3 intermediary bank according to the instruction of the originator. An
4 intermediary bank in the funds transfer is similarly bound by an
5 instruction given to it by the sender of the payment order it accepts.

6 (b) If the sender's instruction states that the funds transfer is
7 to be carried out telephonically or by wire transfer or otherwise
8 indicates that the funds transfer is to be carried out by the most
9 expeditious means, the receiving bank is obliged to transmit its
10 payment order by the most expeditious available means, and to instruct
11 any intermediary bank accordingly. If a sender's instruction states a
12 payment date, the receiving bank is obliged to transmit its payment
13 order at a time and by means reasonably necessary to allow payment to
14 the beneficiary on the payment date or as soon thereafter as is
15 feasible.

16 (2) Unless otherwise instructed, a receiving bank executing a
17 payment order may (a) use any funds-transfer system if use of that
18 system is reasonable in the circumstances, and (b) issue a payment
19 order to the beneficiary's bank or to an intermediary bank through
20 which a payment order conforming to the sender's order can
21 expeditiously be issued to the beneficiary's bank if the receiving bank
22 exercises ordinary care in the selection of the intermediary bank. A
23 receiving bank is not required to follow an instruction of the sender
24 designating a funds-transfer system to be used in carrying out the
25 funds transfer if the receiving bank, in good faith, determines that it
26 is not feasible to follow the instruction or that following the
27 instruction would unduly delay completion of the funds transfer.

28 (3) Unless subsection (1)(b) of this section applies or the
29 receiving bank is otherwise instructed, the bank may execute a payment
30 order by transmitting its payment order by first class mail or by any

1 means reasonable in the circumstances. If the receiving bank is
2 instructed to execute the sender's order by transmitting its payment
3 order by a particular means, the receiving bank may issue its payment
4 order by the means stated or by any means as expeditious as the means
5 stated.

6 (4) Unless instructed by the sender, (a) the receiving bank may not
7 obtain payment of its charges for services and expenses in connection
8 with the execution of the sender's order by issuing a payment order in
9 an amount equal to the amount of the sender's order less the amount of
10 the charges, and (b) may not instruct a subsequent receiving bank to
11 obtain payment of its charges in the same manner."

12 "NEW SECTION. Sec. 4A-303. ERRONEOUS EXECUTION OF PAYMENT ORDER.

13 (1) A receiving bank that (a) executes the payment order of the sender
14 by issuing a payment order in an amount greater than the amount of the
15 sender's order, or (b) issues a payment order in execution of the
16 sender's order and then issues a duplicate order, is entitled to
17 payment of the amount of the sender's order under section 4A-402(3) of
18 this act if that subsection is otherwise satisfied. The bank is
19 entitled to recover from the beneficiary of the erroneous order the
20 excess payment received to the extent allowed by the law governing
21 mistake and restitution.

22 (2) A receiving bank that executes the payment order of the sender
23 by issuing a payment order in an amount less than the amount of the
24 sender's order is entitled to payment of the amount of the sender's
25 order under section 4A-402(3) of this act if (a) that subsection is
26 otherwise satisfied and (b) the bank corrects its mistake by issuing an
27 additional payment order for the benefit of the beneficiary of the
28 sender's order. If the error is not corrected, the issuer of the
29 erroneous order is entitled to receive or retain payment from the

1 sender of the order it accepted only to the extent of the amount of the
2 erroneous order. This subsection does not apply if the receiving bank
3 executes the sender's payment order by issuing a payment order in an
4 amount less than the amount of the sender's order for the purpose of
5 obtaining payment of its charges for services and expenses pursuant to
6 instruction of the sender.

7 (3) If a receiving bank executes the payment order of the sender by
8 issuing a payment order to a beneficiary different from the beneficiary
9 of the sender's order and the funds transfer is completed on the basis
10 of that error, the sender of the payment order that was erroneously
11 executed and all previous senders in the funds transfer are not obliged
12 to pay the payment orders they issued. The issuer of the erroneous
13 order is entitled to recover from the beneficiary of the order the
14 payment received to the extent allowed by the law governing mistake and
15 restitution."

16 "NEW SECTION. Sec. 4A-304. DUTY OF SENDER TO REPORT ERRONEOUSLY
17 EXECUTED PAYMENT ORDER. If the sender of a payment order that is
18 erroneously executed as stated in section 4A-303 of this act receives
19 notification from the receiving bank that the order was executed or
20 that the sender's account was debited with respect to the order, the
21 sender has a duty to exercise ordinary care to determine, on the basis
22 of information available to the sender, that the order was erroneously
23 executed and to notify the bank of the relevant facts within a
24 reasonable time not exceeding ninety days after the notification from
25 the bank was received by the sender. If the sender fails to perform
26 that duty, the bank is not obliged to pay interest on any amount
27 refundable to the sender under section 4A-402(4) of this act for the
28 period before the bank learns of the execution error. The bank is not

1 entitled to any recovery from the sender on account of a failure by the
2 sender to perform the duty stated in this section."

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

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

21 (3) In addition to the amounts payable under subsections (1) and
22 (2) of this section, damages, including consequential damages, are
23 recoverable to the extent provided in an express written agreement of
24 the receiving bank.

25 (4) If a receiving bank fails to execute a payment order it was
26 obliged by express agreement to execute, the receiving bank is liable
27 to the sender for its expenses in the transaction and for incidental
28 expenses and interest losses resulting from the failure to execute.
29 Additional damages, including consequential damages, are recoverable to

1 the extent provided in an express written agreement of the receiving
2 bank, but are not otherwise recoverable.

3 (5) Reasonable attorneys' fees are recoverable if demand for
4 compensation under subsection (1) or (2) of this section is made and
5 refused before an action is brought on the claim. If a claim is made
6 for breach of an agreement under subsection (4) of this section and the
7 agreement does not provide for damages, reasonable attorneys' fees are
8 recoverable if demand for compensation under subsection (4) of this
9 section is made and refused before an action is brought on the claim.

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

13 "PART 4
14 PAYMENT"

15 "NEW SECTION. **Sec. 4A-401.** PAYMENT DATE. "Payment date" of a
16 payment order means the day on which the amount of the order is payable
17 to the beneficiary by the beneficiary's bank. The payment date may be
18 determined by instruction of the sender but cannot be earlier than the
19 day the order is received by the beneficiary's bank and, unless
20 otherwise determined, is the day the order is received by the
21 beneficiary's bank."

22 "NEW SECTION. **Sec. 4A-402.** OBLIGATION OF SENDER TO PAY RECEIVING
23 BANK. (1) This section is subject to sections 4A-205 and 4A-207 of
24 this act.

25 (2) With respect to a payment order issued to the beneficiary's
26 bank, acceptance of the order by the bank obliges the sender to pay the

1 bank the amount of the order, but payment is not due until the payment
2 date of the order.

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

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

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

1 (6) The right of the sender of a payment order to be excused from
2 the obligation to pay the order as stated in subsection (3) of this
3 section or to receive refund under subsection (4) of this section may
4 not be varied by agreement."

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

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

8 (a) If the sender is a bank, payment occurs when the receiving bank
9 receives final settlement of the obligation through a federal reserve
10 bank or through a funds-transfer system.

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

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

20 (2) If the sender and receiving bank are members of a funds-
21 transfer system that nets obligations multilaterally among
22 participants, the receiving bank receives final settlement when
23 settlement is complete in accordance with the rules of the system. The
24 obligation of the sender to pay the amount of a payment order
25 transmitted through the funds-transfer system may be satisfied, to the
26 extent permitted by the rules of the system, by setting off and
27 applying against the sender's obligation the right of the sender to
28 receive payment from the receiving bank of the amount of any other
29 payment order transmitted to the sender by the receiving bank through

1 the funds-transfer system. The aggregate balance of obligations owed
2 by each sender to each receiving bank in the funds-transfer system may
3 be satisfied, to the extent permitted by the rules of the system, by
4 setting off and applying against that balance the aggregate balance of
5 obligations owed to the sender by other members of the system. The
6 aggregate balance is determined after the right of setoff stated in the
7 second sentence of this subsection has been exercised.

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

15 (4) In a case not covered by subsection (1) of this section, the
16 time when payment of the sender's obligation under section 4A-402 (2)
17 or (3) of this act occurs is governed by applicable principles of law
18 that determine when an obligation is satisfied."

19 "NEW SECTION. **Sec. 4A-404.** OBLIGATION OF BENEFICIARY'S BANK TO
20 PAY AND GIVE NOTICE TO BENEFICIARY. (1) Subject to sections 4A-211(5),
21 4A-405(4), and 4A-405(5) of this act, if a beneficiary's bank accepts
22 a payment order, the bank is obliged to pay the amount of the order to
23 the beneficiary of the order. Payment is due on the payment date of
24 the order, but if acceptance occurs on the payment date after the close
25 of the funds-transfer business day of the bank, payment is due on the
26 next funds-transfer business day. If the bank refuses to pay after
27 demand by the beneficiary and receipt of notice of particular
28 circumstances that will give rise to consequential damages as a result
29 of nonpayment, the beneficiary may recover damages resulting from the

1 refusal to pay to the extent the bank had notice of the damages, unless
2 the bank proves that it did not pay because of a reasonable doubt
3 concerning the right of the beneficiary to payment.

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

18 (3) The right of a beneficiary to receive payment and damages as
19 stated in subsection (a) may not be varied by agreement or a funds-
20 transfer system rule. The right of a beneficiary to be notified as
21 stated in subsection (2) of this section may be varied by agreement of
22 the beneficiary or by a funds-transfer system rule if the beneficiary
23 is notified of the rule before initiation of the funds transfer."

24 "NEW SECTION. **Sec. 4A-405.** PAYMENT BY BENEFICIARY'S BANK TO
25 BENEFICIARY. (1) If the beneficiary's bank credits an account of the
26 beneficiary of a payment order payment of the bank's obligation under
27 section 4A-404(1) of this act occurs when and to the extent (a) the
28 beneficiary is notified of the right to withdraw the credit, (b) the
29 bank lawfully applies the credit to a debt of the beneficiary, or (c)

1 funds with respect to the order are otherwise made available to the
2 beneficiary by the bank.

3 (2) If the beneficiary's bank does not credit an account of the
4 beneficiary of a payment order, the time when payment of the bank's
5 obligation under section 4A-404(1) of this act occurs is governed by
6 principles of law that determine when an obligation is satisfied.

7 (3) Except as stated in subsections (4) and (5) of this act, if the
8 beneficiary's bank pays the beneficiary of a payment order under a
9 condition to payment or agreement of the beneficiary giving the bank
10 the right to recover payment from the beneficiary if the bank does not
11 receive payment of the order, the condition to payment or agreement is
12 not enforceable.

13 (4) A funds-transfer system rule may provide that payments made to
14 beneficiaries of funds transfers made through the system are
15 provisional until receipt of payment by the beneficiary's bank of the
16 payment order it accepted. A beneficiary's bank that makes a payment
17 that is provisional under the rule is entitled to refund from the
18 beneficiary if (a) the rule requires that both the beneficiary and the
19 originator be given notice of the provisional nature of the payment
20 before the funds transfer is initiated, (b) the beneficiary, the
21 beneficiary's bank and the originator's bank agreed to be bound by the
22 rule, and (c) the beneficiary's bank did not receive payment of the
23 payment order that it accepted. If the beneficiary is obliged to
24 refund payment to the beneficiary's bank, acceptance of the payment
25 order by the beneficiary's bank is nullified and no payment by the
26 originator of the funds transfer to the beneficiary occurs under
27 section 4A-406 of this act.

28 (5) This subsection applies to a funds transfer that includes a
29 payment order transmitted over a funds-transfer system that (a) nets
30 obligations multilaterally among participants, and (b) has in effect a

1 loss-sharing agreement among participants for the purpose of providing
2 funds necessary to complete settlement of the obligations of one or
3 more participants that do not meet their settlement obligations. If
4 the beneficiary's bank in the funds transfer accepts a payment order
5 and the system fails to complete settlement pursuant to its rules with
6 respect to any payment order in the funds transfer, (i) the acceptance
7 by the beneficiary's bank is nullified and no person has any right or
8 obligation based on the acceptance, (ii) the beneficiary's bank is
9 entitled to recover payment from the beneficiary, (iii) no payment by
10 the originator to the beneficiary occurs under section 4A-406 of this
11 act, and (iv) subject to section 4A-402(5), each sender in the funds
12 transfer is excused from its obligation to pay its payment order under
13 section 4A-402(5), each sender in the funds transfer is excused from
14 its obligation to pay its payment order under section 4A-402(3) of this
15 act because the funds transfer has not been completed."

16 NEW SECTION. **Sec. 4A-406.** PAYMENT BY ORIGINATOR TO BENEFICIARY;
17 DISCHARGE OF UNDERLYING OBLIGATION. (1) Subject to sections 4A-211(5),
18 4A-405(4), and 4A-405(5) of this act, the originator of a funds
19 transfer pays the beneficiary of the originator's payment order (a) at
20 the time a payment order for the benefit of the beneficiary is accepted
21 by the beneficiary's bank in the funds transfer and (b) in an amount
22 equal to the amount of the order accepted by the beneficiary's bank,
23 but not more than the amount of the originator's order.

24 (2) If payment under subsection (1) of this section is made to
25 satisfy an obligation, the obligation is discharged to the same extent
26 discharge would result from payment to the beneficiary of the same
27 amount in money, unless (a) the payment under subsection (1) of this
28 section was made by a means prohibited by the contract of the
29 beneficiary with respect to the obligation, (b) the beneficiary, within

1 a reasonable time after receiving notice of receipt of the order by the
2 beneficiary's bank, notified the originator of the beneficiary's
3 refusal of the payment, (c) funds with respect to the order were not
4 withdrawn by the beneficiary or applied to a debt of the beneficiary,
5 and (d) the beneficiary would suffer a loss that could reasonably have
6 been avoided if payment had been made by a means complying with the
7 contract. If payment by the originator does not result in discharge
8 under this section, the originator is subrogated to the rights of the
9 beneficiary to receive payment from the beneficiary's bank under
10 section 4A-404(1) of this act.

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

19 (4) Rights of the originator or of the beneficiary of a funds
20 transfer under this section may be varied only by agreement of the
21 originator and the beneficiary."

22 "PART 5
23 MISCELLANEOUS PROVISIONS"

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

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

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

21 (2) This subsection applies to creditor process with respect to an
22 authorized account of the sender of a payment order if the creditor
23 process is served on the receiving bank. For the purpose of
24 determining rights with respect to the creditor process, if the
25 receiving bank accepts the payment order the balance in the authorized
26 account is deemed to be reduced by the amount of the payment order to
27 the extent the bank did not otherwise receive payment of the order,
28 unless the creditor process is served at the time and in a manner

1 affording the bank a reasonable opportunity to act on it before the
2 bank accepts the payment order.

3 (3) If a beneficiary's bank has received a payment order for
4 payment to the beneficiary's account in the bank, the following rules
5 apply:

6 (a) The bank may credit the beneficiary's account. The amount
7 credited may be set off against an obligation owed by the beneficiary
8 to the bank or may be applied to satisfy creditor process served on the
9 bank with respect to the account.

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

14 (c) If creditor process with respect to the beneficiary's account
15 has been served and the bank has had a reasonable opportunity to act on
16 it, the bank may not reject the payment order except for a reason
17 unrelated to the service of process.

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

23 "NEW SECTION. Sec. 4A-503. INJUNCTION OR RESTRAINING ORDER WITH
24 RESPECT TO FUNDS TRANSFER. For proper cause and in compliance with
25 applicable law, a court may restrain (1) a person from issuing a
26 payment order to initiate a funds transfer, (2) an originator's bank
27 from executing the payment order of the originator, or (3) the
28 beneficiary's bank from releasing funds to the beneficiary or the
29 beneficiary from withdrawing the funds. A court may not otherwise

1 restrain a person from issuing a payment order, paying or receiving
2 payment of a payment order, or otherwise acting with respect to a funds
3 transfer."

4 "NEW SECTION. Sec. 4A-504. ORDER IN WHICH ITEMS AND PAYMENT
5 ORDERS MAY BE CHARGED TO ACCOUNT; ORDER OF WITHDRAWALS FROM ACCOUNT.

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

10 (2) In determining whether a credit to an account has been
11 withdrawn by the holder of the account or applied to a debt of the
12 holder of the account, credits first made to the account are first
13 withdrawn or applied."

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

23 "NEW SECTION. Sec. 4A-506. RATE OF INTEREST. (1) If, under this
24 Article, a receiving bank is obliged to pay interest with respect to a
25 payment order issued to the bank, the amount payable may be determined
26 (a) by agreement of the sender and receiving bank, or (b) by a funds-

1 transfer system rule if the payment order is transmitted through a
2 funds-transfer system.

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

18 "NEW SECTION. **Sec. 4A-507.** CHOICE OF LAW. (1) The following
19 rules apply unless the affected parties otherwise agree or subsection
20 (3) of this section applies;

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

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

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

1 (2) If the parties described in each paragraph of subsection (1) of
2 this section have made an agreement selecting the law of a particular
3 jurisdiction to govern rights and obligations between each other, the
4 law of that jurisdiction governs those rights and obligations, whether
5 or not the payment order or the funds transfer bears a reasonable
6 relation to that jurisdiction.

7 (3) A funds-transfer system rule may select the law of a particular
8 jurisdiction to govern (a) rights and obligations between participating
9 banks with respect to payment orders transmitted or processed through
10 the system, or (b) the rights and obligations of some or all parties to
11 a funds transfer any part of which is carried out by means of the
12 system. A choice of law made pursuant to (a) of this subsection is
13 binding on participating banks. A choice of law made pursuant to (b)
14 of this subsection is binding on the originator, other sender, or a
15 receiving bank having notice that the funds-transfer system might be
16 used in the funds transfer and of the choice of law by the system when
17 the originator, other sender, or receiving bank issued or accepted a
18 payment order. The beneficiary of a funds transfer is bound by the
19 choice of law if, when the funds transfer is initiated, the beneficiary
20 has notice that the funds-transfer system might be used in the funds
21 transfer and of the choice of law by the system. The law of a
22 jurisdiction selected pursuant to this subsection may govern, whether
23 or not that law bears a reasonable relation to the matter in issue.

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

28 (5) If a funds transfer is made by use of more than one funds-
29 transfer system and there is inconsistency between choice-of-law rules
30 of the systems, the matter in issue is governed by the law of the

1 selected jurisdiction that has the most significant relationship to the
2 matter in issue."

3 "NEW SECTION. Sec. 4A-508. Sections 4A-101 through 4A-507 of this
4 act shall constitute a new Article in Title 62A RCW."

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6 By Senator von Reichbauer

7 ADOPTED 6/24/91

8 On page 1, line 1 of the title, after "transfer;" strike the
9 remainder of the title and insert "and adding a new Article to Title
10 62A RCW."