

SENATE BILL No. 458

August 22, 1991, Introduced by Senators HONIGMAN, BOUCHARD and DILLINGHAM and referred to the Committee on Corporations and Economic Development.

A bill to amend section 1105 of Act No. 174 of the Public Acts of 1962, entitled as amended
"Uniform commercial code,"
being section 440.1105 of the Michigan Compiled Laws; and to add article 4a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 1105 of Act No. 174 of the Public Acts
2 of 1962, being section 440.1105 of the Michigan Compiled Laws, is
3 amended and article 4a is added to read as follows:

4 Sec. 1105. (1) Except as provided hereafter in this sec-
5 tion, when a transaction bears a reasonable relation to this
6 state and also to another state or nation the parties may agree
7 that the law either of this state or of such other state or
8 nation shall govern their rights and duties. Failing such

1 agreement this act applies to transactions bearing an appropriate
2 relation to this state.

3 (2) Where 1 of the following provisions of this act speci-
4 fies the applicable law, that provision governs and a contrary
5 agreement is effective only to the extent permitted by the law
6 (including the conflict of laws rules) so specified:

7 Rights of creditors against sold goods.	Section 2402.
8 Applicability of the article on bank deposits and	
9 collections.	Section 4102.
10 GOVERNING LAW IN THE ARTICLE ON FUNDS TRANSFERS.	SECTION 4A502.
11 Bulk transfers subject to the article on bulk	
12 transfers.	Section 6102.
13 Applicability of the article on investment	
14 securities.	Section 8106.
15 Perfection provisions of the article on secured	
16 transactions.	Section 9103.

17 ARTICLE 4A

18 FUNDS TRANSFERS

19 PART 1. SUBJECT MATTERS AND DEFINITIONS

20 SEC. 4A101. THIS ARTICLE SHALL BE KNOWN AND MAY BE CITED AS
21 "UNIFORM COMMERCIAL CODE--FUNDS TRANSFERS".

22 SEC. 4A102. EXCEPT AS OTHERWISE PROVIDED IN SECTION 4A108,
23 THIS ARTICLE APPLIES TO FUNDS TRANSFERS DEFINED IN
24 SECTION 4A104.

25 SEC. 4A103. (1) AS USED IN THIS ARTICLE:

1 (A) "PAYMENT ORDER" MEANS AN INSTRUCTION OF A SENDER TO A
2 RECEIVING BANK, TRANSMITTED ORALLY, ELECTRONICALLY, OR IN
3 WRITING, TO PAY, OR TO CAUSE ANOTHER BANK TO PAY, A FIXED OR
4 DETERMINABLE AMOUNT OF MONEY TO A BENEFICIARY IF THE FOLLOWING
5 APPLY:

6 (i) THE INSTRUCTION DOES NOT STATE A CONDITION TO PAYMENT TO
7 THE BENEFICIARY OTHER THAN TIME OF PAYMENT.

8 (ii) THE RECEIVING BANK IS TO BE REIMBURSED BY DEBITING AN
9 ACCOUNT OF, OR OTHERWISE RECEIVING PAYMENT FROM, THE SENDER.

10 (iii) THE INSTRUCTION IS TRANSMITTED BY THE SENDER DIRECTLY
11 TO THE RECEIVING BANK OR TO AN AGENT, FUNDS-TRANSFER SYSTEM, OR
12 COMMUNICATION SYSTEM FOR TRANSMITTAL TO THE RECEIVING BANK.

13 (B) "BENEFICIARY" MEANS THE PERSON TO BE PAID BY THE
14 BENEFICIARY'S BANK.

15 (C) "BENEFICIARY'S BANK" MEANS THE BANK IDENTIFIED IN A PAY-
16 MENT ORDER IN WHICH AN ACCOUNT OF THE BENEFICIARY IS TO BE CRED-
17 ITED PURSUANT TO THE ORDER OR WHICH OTHERWISE IS TO MAKE PAYMENT
18 TO THE BENEFICIARY IF THE ORDER DOES NOT PROVIDE FOR PAYMENT TO
19 AN ACCOUNT.

20 (D) "RECEIVING BANK" MEANS THE BANK TO WHICH THE SENDER'S
21 INSTRUCTION IS ADDRESSED.

22 (E) "SENDER" MEANS THE PERSON GIVING THE INSTRUCTION TO THE
23 RECEIVING BANK.

24 (2) IF AN INSTRUCTION COMPLYING WITH SUBSECTION (1)(A) IS TO
25 MAKE MORE THAN 1 PAYMENT TO A BENEFICIARY, THE INSTRUCTION IS A
26 SEPARATE PAYMENT ORDER WITH RESPECT TO EACH PAYMENT.

1 (3) A PAYMENT ORDER IS ISSUED WHEN IT IS SENT TO THE
2 RECEIVING BANK.

3 SEC. 4A104. AS USED IN THIS ARTICLE:

4 (A) "FUNDS TRANSFER" MEANS THE SERIES OF TRANSACTIONS,
5 BEGINNING WITH THE ORIGINATOR'S PAYMENT ORDER, MADE FOR THE PUR-
6 POSE OF MAKING PAYMENT TO THE BENEFICIARY OF THE ORDER. THE TERM
7 INCLUDES ANY PAYMENT ORDER ISSUED BY THE ORIGINATOR'S BANK OR AN
8 INTERMEDIARY BANK INTENDED TO CARRY OUT THE ORIGINATOR'S PAYMENT
9 ORDER. A FUNDS TRANSFER IS COMPLETED BY ACCEPTANCE BY THE
10 BENEFICIARY'S BANK OF A PAYMENT ORDER FOR THE BENEFIT OF THE BEN-
11 EFICIARY OF THE ORIGINATOR'S PAYMENT ORDER.

12 (B) "INTERMEDIARY BANK" MEANS A RECEIVING BANK OTHER THAN
13 THE ORIGINATOR'S BANK OR THE BENEFICIARY'S BANK.

14 (C) "ORIGINATOR" MEANS THE SENDER OF THE FIRST PAYMENT ORDER
15 IN A FUNDS TRANSFER.

16 (D) "ORIGINATOR'S BANK" MEANS (i) THE RECEIVING BANK TO
17 WHICH THE PAYMENT ORDER OF THE ORIGINATOR IS ISSUED IF THE ORIGI-
18 NATOR IS NOT A BANK, OR (ii) THE ORIGINATOR IF THE ORIGINATOR IS
19 A BANK.

20 SEC. 4A105. (1) AS USED IN THIS ARTICLE:

21 (A) "AUTHORIZED ACCOUNT" MEANS A DEPOSIT ACCOUNT OF A CUS-
22 TOMER IN A BANK DESIGNATED BY THE CUSTOMER AS A SOURCE OF PAYMENT
23 OF PAYMENT ORDERS ISSUED BY THE CUSTOMER TO THE BANK. IF A CUS-
24 TOMER DOES NOT SO DESIGNATE AN ACCOUNT, ANY ACCOUNT OF THE CUS-
25 TOMER IS AN AUTHORIZED ACCOUNT IF PAYMENT OF A PAYMENT ORDER FROM
26 THAT ACCOUNT IS NOT INCONSISTENT WITH A RESTRICTION ON THE USE OF
27 THAT ACCOUNT.

1 (B) "BANK" MEANS A PERSON ENGAGED IN THE BUSINESS OF BANKING
 2 AND INCLUDES A SAVINGS BANK, SAVINGS AND LOAN ASSOCIATION, CREDIT
 3 UNION, AND TRUST COMPANY. A BRANCH OR SEPARATE OFFICE OF A BANK
 4 IS A SEPARATE BANK FOR PURPOSES OF THIS ARTICLE.

5 (C) "CUSTOMER" MEANS A PERSON, INCLUDING A BANK, HAVING AN
 6 ACCOUNT WITH A BANK OR FROM WHOM A BANK HAS AGREED TO RECEIVE
 7 PAYMENT ORDERS.

8 (D) "FUNDS-TRANSFER BUSINESS DAY" OF A RECEIVING BANK MEANS
 9 THE PART OF A DAY DURING WHICH THE RECEIVING BANK IS OPEN FOR THE
 10 RECEIPT, PROCESSING, AND TRANSMITTAL OF PAYMENT ORDERS AND CAN-
 11 CELLATIONS AND AMENDMENTS OF PAYMENT ORDERS.

12 (E) "FUNDS-TRANSFER SYSTEM" MEANS A WIRE TRANSFER NETWORK,
 13 AUTOMATED CLEARINGHOUSE, OR OTHER COMMUNICATION SYSTEM OF A
 14 CLEARINGHOUSE OR OTHER ASSOCIATION OF BANKS THROUGH WHICH A PAY-
 15 MENT ORDER BY A BANK MAY BE TRANSMITTED TO THE BANK TO WHICH THE
 16 ORDER IS ADDRESSED.

17 (F) "GOOD FAITH" MEANS HONESTY IN FACT AND THE OBSERVANCE OF
 18 REASONABLE COMMERCIAL STANDARDS OF FAIR DEALING.

19 (G) "PROVE" WITH RESPECT TO A FACT MEANS TO MEET THE BURDEN
 20 OF ESTABLISHING THE FACT (SECTION 1201(8)).

21 (2) OTHER DEFINITIONS APPLYING TO THIS ARTICLE AND THE SEC-
 22 TIONS IN WHICH THEY APPEAR ARE AS FOLLOWS:

23 "ACCEPTANCE".	SECTION 4A209.
24 "BENEFICIARY".	SECTION 4A103.
25 "BENEFICIARY'S BANK".	SECTION 4A103.

1 "EXECUTED".	SECTION 4A301.
2 "EXECUTION DATE".	SECTION 4A301.
3 "FUNDS TRANSFER".	SECTION 4A104.
4 "FUNDS-TRANSFER SYSTEM RULE".	SECTION 4A501.
5 "INTERMEDIARY BANK".	SECTION 4A104.
6 "ORIGINATOR".	SECTION 4A104.
7 "ORIGINATOR'S BANK".	SECTION 4A104.
8 "PAYMENT BY BENEFICIARY'S BANK TO BENEFICIARY".	SECTION 4A405.
9 "PAYMENT BY ORIGINATOR TO BENEFICIARY".	SECTION 4A406.
10 "PAYMENT BY SENDER TO RECEIVING BANK".	SECTION 4A403.
11 "PAYMENT DATE".	SECTION 4A401.
12 "PAYMENT ORDER".	SECTION 4A103.
13 "RECEIVING BANK".	SECTION 4A103.
14 "SECURITY PROCEDURE".	SECTION 4A201.
15 "SENDER".	SECTION 4A103.

16 (3) THE FOLLOWING DEFINITIONS IN ARTICLE 4 APPLY TO THIS
17 ARTICLE:

18 "CLEARINGHOUSE".	SECTION 4104.
19 "ITEM".	SECTION 4104.
20 "SUSPENDS PAYMENTS".	SECTION 4104.

21 (4) IN ADDITION, ARTICLE 1 CONTAINS GENERAL DEFINITIONS AND
22 PRINCIPLES OF CONSTRUCTION AND INTERPRETATION APPLICABLE THROUGH-
23 OUT THIS ARTICLE.

24 SEC. 4A106. (1) THE TIME OF RECEIPT OF A PAYMENT ORDER OR
25 COMMUNICATION CANCELING OR AMENDING A PAYMENT ORDER IS DETERMINED
26 BY THE RULES APPLICABLE TO RECEIPT OF A NOTICE STATED IN

1 SECTION 1201(27). A RECEIVING BANK MAY FIX A CUTOFF TIME OR
2 TIMES ON A FUNDS-TRANSFER BUSINESS DAY FOR THE RECEIPT AND PRO-
3 CESSING OF PAYMENT ORDERS AND COMMUNICATIONS CANCELING OR AMEND-
4 ING PAYMENT ORDERS. DIFFERENT CUTOFF TIMES MAY APPLY TO PAYMENT
5 ORDERS, CANCELLATIONS, OR AMENDMENTS, OR TO DIFFERENT CATEGORIES
6 OF PAYMENT ORDERS, CANCELLATIONS, OR AMENDMENTS. A CUTOFF TIME
7 MAY APPLY TO SENDERS GENERALLY OR DIFFERENT CUTOFF TIMES MAY
8 APPLY TO DIFFERENT SENDERS OR CATEGORIES OF PAYMENT ORDERS. IF A
9 PAYMENT ORDER OR COMMUNICATION CANCELING OR AMENDING A PAYMENT
10 ORDER IS RECEIVED AFTER THE CLOSE OF A FUNDS-TRANSFER BUSINESS
11 DAY OR AFTER THE APPROPRIATE CUTOFF TIME ON A FUNDS-TRANSFER
12 BUSINESS DAY, THE RECEIVING BANK MAY TREAT THE PAYMENT ORDER OR
13 COMMUNICATION AS RECEIVED AT THE OPENING OF THE NEXT
14 FUNDS-TRANSFER BUSINESS DAY.

15 (2) IF THIS ARTICLE REFERS TO AN EXECUTION DATE OR PAYMENT
16 DATE OR STATES A DAY ON WHICH A RECEIVING BANK IS REQUIRED TO
17 TAKE ACTION, AND THE DATE OR DAY DOES NOT FALL ON A
18 FUNDS-TRANSFER BUSINESS DAY, THE NEXT DAY THAT IS A
19 FUNDS-TRANSFER BUSINESS DAY IS TREATED AS THE DATE OR DAY STATED,
20 UNLESS THE CONTRARY IS STATED IN THIS ARTICLE.

21 SEC. 4A107. REGULATIONS OF THE BOARD OF GOVERNORS OF THE
22 FEDERAL RESERVE SYSTEM AND OPERATING CIRCULARS OF THE FEDERAL
23 RESERVE BANKS SUPERSEDE ANY INCONSISTENT PROVISION OF THIS ARTI-
24 CLE TO THE EXTENT OF THE INCONSISTENCY.

25 SEC. 4A108. THIS ARTICLE DOES NOT APPLY TO A FUNDS TRANSFER
26 ANY PART OF WHICH IS GOVERNED BY THE ELECTRONIC FUND TRANSFER ACT

1 OF 1978, TITLE XX, PUBLIC LAW 95-630, 92 STAT. 3728, 15 U.S.C.
2 1693.

3 PART 2. ISSUE AND ACCEPTANCE OF PAYMENT ORDER

4 SEC. 4A201. "SECURITY PROCEDURE" MEANS A PROCEDURE ESTAB-
5 LISHED BY AGREEMENT OF A CUSTOMER AND A RECEIVING BANK FOR THE
6 PURPOSE OF (i) VERIFYING THAT A PAYMENT ORDER OR COMMUNICATION
7 AMENDING OR CANCELING A PAYMENT ORDER IS THAT OF THE CUSTOMER, OR
8 (ii) DETECTING ERROR IN THE TRANSMISSION OF THE CONTENT OF THE
9 PAYMENT ORDER OR COMMUNICATION. A SECURITY PROCEDURE MAY REQUIRE
10 THE USE OF ALGORITHMS OR OTHER CODES, IDENTIFYING WORDS OR NUM-
11 BERS, ENCRYPTION, CALLBACK PROCEDURES, OR SIMILAR SECURITY
12 DEVICES. COMPARISON OF A SIGNATURE ON A PAYMENT ORDER OR COMMU-
13 NICATION WITH AN AUTHORIZED SPECIMEN SIGNATURE OF THE CUSTOMER IS
14 NOT BY ITSELF A SECURITY PROCEDURE.

15 SEC. 4A202. (1) A PAYMENT ORDER RECEIVED BY THE RECEIVING
16 BANK IS THE AUTHORIZED ORDER OF THE PERSON IDENTIFIED AS SENDER
17 IF THAT PERSON AUTHORIZED THE ORDER OR IS OTHERWISE BOUND BY IT
18 UNDER THE LAW OF AGENCY.

19 (2) IF A BANK AND ITS CUSTOMER HAVE AGREED THAT THE AUTHEN-
20 TICITY OF PAYMENT ORDERS ISSUED TO THE BANK IN THE NAME OF THE
21 CUSTOMER AS SENDER WILL BE VERIFIED PURSUANT TO A SECURITY PROCE-
22 DURE, A PAYMENT ORDER RECEIVED BY THE RECEIVING BANK IS EFFECTIVE
23 AS THE ORDER OF THE CUSTOMER, WHETHER OR NOT AUTHORIZED, IF (i)
24 THE SECURITY PROCEDURE IS A COMMERCIALY REASONABLE METHOD OF
25 PROVIDING SECURITY AGAINST UNAUTHORIZED PAYMENT ORDERS, AND (ii)
26 THE BANK PROVES THAT IT ACCEPTED THE PAYMENT ORDER IN GOOD FAITH
27 AND IN COMPLIANCE WITH THE SECURITY PROCEDURE AND ANY WRITTEN

1 AGREEMENT OR INSTRUCTION OF THE CUSTOMER RESTRICTING ACCEPTANCE
2 OF PAYMENT ORDERS ISSUED IN THE NAME OF THE CUSTOMER. THE BANK
3 IS NOT REQUIRED TO FOLLOW AN INSTRUCTION THAT VIOLATES A WRITTEN
4 AGREEMENT WITH THE CUSTOMER OR NOTICE OF WHICH IS NOT RECEIVED AT
5 A TIME AND IN A MANNER AFFORDING THE BANK A REASONABLE OPPORTU-
6 NITY TO ACT ON IT BEFORE THE PAYMENT ORDER IS ACCEPTED.

7 (3) COMMERCIAL REASONABLENESS OF A SECURITY PROCEDURE IS A
8 QUESTION OF LAW TO BE DETERMINED BY CONSIDERING THE WISHES OF THE
9 CUSTOMER EXPRESSED TO THE BANK, THE CIRCUMSTANCES OF THE CUSTOMER
10 KNOWN TO THE BANK, INCLUDING THE SIZE, TYPE, AND FREQUENCY OF
11 PAYMENT ORDERS NORMALLY ISSUED BY THE CUSTOMER TO THE BANK,
12 ALTERNATIVE SECURITY PROCEDURES OFFERED TO THE CUSTOMER, AND
13 SECURITY PROCEDURES IN GENERAL USE BY CUSTOMERS AND RECEIVING
14 BANKS SIMILARY SITUATED. A SECURITY PROCEDURE IS DEEMED TO BE
15 COMMERCIALY REASONABLE IF (i) THE SECURITY PROCEDURE WAS CHOSEN
16 BY THE CUSTOMER AFTER THE BANK OFFERED, AND THE CUSTOMER REFUSED,
17 A SECURITY PROCEDURE THAT WAS COMMERCIALY REASONABLE FOR THAT
18 CUSTOMER, AND (ii) THE CUSTOMER EXPRESSLY AGREED IN WRITING TO BE
19 BOUND BY ANY PAYMENT ORDER, WHETHER OR NOT AUTHORIZED, ISSUED IN
20 ITS NAME AND ACCEPTED BY THE BANK IN COMPLIANCE WITH THE SECURITY
21 PROCEDURE CHOSEN BY THE CUSTOMER.

22 (4) THE TERM "SENDER" IN THIS ARTICLE INCLUDES THE CUSTOMER
23 IN WHOSE NAME A PAYMENT ORDER IS ISSUED IF THE ORDER IS THE
24 AUTHORIZED ORDER OF THE CUSTOMER UNDER SUBSECTION (1), OR IT IS
25 EFFECTIVE AS THE ORDER OF THE CUSTOMER UNDER SUBSECTION (2).

26 (5) THIS SECTION APPLIES TO AMENDMENTS AND CANCELLATIONS OF
27 PAYMENT ORDERS TO THE SAME EXTENT IT APPLIES TO PAYMENT ORDERS.

1 (6) EXCEPT AS PROVIDED IN THIS SECTION AND IN
2 SECTION 4A203(1)(A), RIGHTS AND OBLIGATIONS ARISING UNDER THIS
3 SECTION OR SECTION 4A203 MAY NOT BE VARIED BY AGREEMENT.

4 SEC. 4A203. (1) IF AN ACCEPTED PAYMENT ORDER IS NOT, UNDER
5 SECTION 4A202(1), AN AUTHORIZED ORDER OF A CUSTOMER IDENTIFIED AS
6 SENDER, BUT IS EFFECTIVE AS AN ORDER OF THE CUSTOMER PURSUANT TO
7 SECTION 4A202(2), THE FOLLOWING RULES APPLY:

8 (A) BY EXPRESS WRITTEN AGREEMENT, THE RECEIVING BANK MAY
9 LIMIT THE EXTENT TO WHICH IT IS ENTITLED TO ENFORCE OR RETAIN
10 PAYMENT OF THE PAYMENT ORDER.

11 (B) THE RECEIVING BANK IS NOT ENTITLED TO ENFORCE OR RETAIN
12 PAYMENT OF THE PAYMENT ORDER IF THE CUSTOMER PROVES THAT THE
13 ORDER WAS NOT CAUSED, DIRECTLY OR INDIRECTLY, BY A PERSON (i)
14 ENTRUSTED AT ANYTIME WITH DUTIES TO ACT FOR THE CUSTOMER WITH
15 RESPECT TO PAYMENT ORDERS OR THE SECURITY PROCEDURE, OR (ii) WHO
16 OBTAINED ACCESS TO TRANSMITTING FACILITIES OF THE CUSTOMER OR WHO
17 OBTAINED, FROM A SOURCE CONTROLLED BY THE CUSTOMER AND WITHOUT
18 AUTHORITY OF THE RECEIVING BANK, INFORMATION FACILITATING BREACH
19 OF THE SECURITY PROCEDURE, REGARDLESS OF HOW THE INFORMATION WAS
20 OBTAINED OR WHETHER THE CUSTOMER WAS AT FAULT. INFORMATION
21 INCLUDES ANY ACCESS DEVICE, COMPUTER SOFTWARE, OR THE LIKE.

22 (2) THIS SECTION APPLIES TO AMENDMENTS OF PAYMENT ORDERS TO
23 THE SAME EXTENT IT APPLIES TO PAYMENT ORDERS.

24 SEC. 4A204. (1) IF A RECEIVING BANK ACCEPTS A PAYMENT ORDER
25 ISSUED IN THE NAME OF ITS CUSTOMER AS SENDER WHICH IS (i) NOT
26 AUTHORIZED AND NOT EFFECTIVE AS THE ORDER OF THE CUSTOMER UNDER
27 SECTION 4A202, OR (ii) NOT ENFORCEABLE, IN WHOLE OR IN PART,

1 AGAINST THE CUSTOMER UNDER SECTION 4A203, THE BANK SHALL REFUND
2 ANY PAYMENT OF THE PAYMENT ORDER RECEIVED FROM THE CUSTOMER TO
3 THE EXTENT THE BANK IS NOT ENTITLED TO ENFORCE PAYMENT AND SHALL
4 PAY INTEREST ON THE REFUNDABLE AMOUNT CALCULATED FROM THE DATE
5 THE BANK RECEIVED PAYMENT TO THE DATE OF THE REFUND. HOWEVER,
6 THE CUSTOMER IS NOT ENTITLED TO INTEREST FROM THE BANK ON THE
7 AMOUNT TO BE REFUNDED IF THE CUSTOMER FAILS TO EXERCISE ORDINARY
8 CARE TO DETERMINE THAT THE ORDER WAS NOT AUTHORIZED BY THE CUS-
9 TOMER AND TO NOTIFY THE BANK OF THE RELEVANT FACTS WITHIN A REA-
10 SONABLE TIME NOT EXCEEDING 90 DAYS AFTER THE DATE THE CUSTOMER
11 RECEIVED NOTIFICATION FROM THE BANK THAT THE ORDER WAS ACCEPTED
12 OR THAT THE CUSTOMER'S ACCOUNT WAS DEBITED WITH RESPECT TO THE
13 ORDER. THE BANK IS NOT ENTITLED TO ANY RECOVERY FROM THE CUS-
14 TOMER ON ACCOUNT OF A FAILURE BY THE CUSTOMER TO GIVE NOTIFICA-
15 TION AS STATED IN THIS SECTION.

16 (2) REASONABLE TIME UNDER SUBSECTION (1) MAY BE FIXED BY
17 AGREEMENT AS STATED IN SECTION 1204(1), BUT THE OBLIGATION OF A
18 RECEIVING BANK TO REFUND PAYMENT AS STATED IN SUBSECTION (1) MAY
19 NOT OTHERWISE BE VARIED BY AGREEMENT.

20 SEC. 4A205. (1) IF AN ACCEPTED PAYMENT ORDER WAS TRANSMIT-
21 TED PURSUANT TO A SECURITY PROCEDURE FOR THE DETECTION OF ERROR
22 AND THE PAYMENT ORDER (i) ERRONEOUSLY INSTRUCTED PAYMENT TO A
23 BENEFICIARY NOT INTENDED BY THE SENDER, (ii) ERRONEOUSLY
24 INSTRUCTED PAYMENT IN AN AMOUNT GREATER THAN THE AMOUNT INTENDED
25 BY THE SENDER, OR (iii) WAS AN ERRONEOUSLY TRANSMITTED DUPLICATE
26 OF A PAYMENT ORDER PREVIOUSLY SENT BY THE SENDER, THE FOLLOWING
27 RULES APPLY:

1 (A) IF THE SENDER PROVES THAT THE SENDER OR A PERSON ACTING
2 ON BEHALF OF THE SENDER PURSUANT TO SECTION 4A206 COMPLIED WITH
3 THE SECURITY PROCEDURE AND THAT THE ERROR WOULD HAVE BEEN
4 DETECTED IF THE RECEIVING BANK HAD ALSO COMPLIED, THE SENDER IS
5 NOT OBLIGED TO PAY THE ORDER TO THE EXTENT STATED IN
6 SUBDIVISIONS (B) AND (C).

7 (B) IF THE FUNDS TRANSFER IS COMPLETED ON THE BASIS OF AN
8 ERRONEOUS PAYMENT ORDER DESCRIBED IN SUBSECTION (1)(i) OR (iii),
9 THE SENDER IS NOT OBLIGED TO PAY THE ORDER AND THE RECEIVING BANK
10 IS ENTITLED TO RECOVER FROM THE BENEFICIARY ANY AMOUNT PAID TO
11 THE BENEFICIARY TO THE EXTENT ALLOWED BY THE LAW GOVERNING MIS-
12 TAKE AND RESTITUTION.

13 (C) IF THE FUNDS TRANSFER IS COMPLETED ON THE BASIS OF A
14 PAYMENT ORDER DESCRIBED IN SUBSECTION (1)(ii) OF, THE SENDER IS
15 NOT OBLIGED TO PAY THE ORDER TO THE EXTENT THE AMOUNT RECEIVED BY
16 THE BENEFICIARY IS GREATER THAN THE AMOUNT INTENDED BY THE
17 SENDER. IN THAT CASE, THE RECEIVING BANK IS ENTITLED TO RECOVER
18 FROM THE BENEFICIARY THE EXCESS AMOUNT RECEIVED TO THE EXTENT
19 ALLOWED BY THE LAW GOVERNING MISTAKE AND RESTITUTION.

20 (2) IF (i) THE SENDER OF AN ERRONEOUS PAYMENT ORDER
21 DESCRIBED IN SUBSECTION (1) IS NOT OBLIGED TO PAY ALL OR PART OF
22 THE ORDER, AND (ii) THE SENDER RECEIVES NOTIFICATION FROM THE
23 RECEIVING BANK THAT THE ORDER WAS ACCEPTED BY THE BANK OR THAT
24 THE SENDER'S ACCOUNT WAS DEBITED WITH RESPECT TO THE ORDER, THE
25 SENDER HAS A DUTY TO EXERCISE ORDINARY CARE, ON THE BASIS OF
26 INFORMATION AVAILABLE TO THE SENDER, TO DISCOVER THE ERROR WITH
27 RESPECT TO THE ORDER AND TO ADVISE THE BANK OF THE RELEVANT FACTS

1 WITHIN A REASONABLE TIME, NOT EXCEEDING 90 DAYS, AFTER THE BANK'S
2 NOTIFICATION WAS RECEIVED BY THE SENDER. IF THE BANK PROVES THAT
3 THE SENDER FAILED TO PERFORM THAT DUTY, THE SENDER IS LIABLE TO
4 THE BANK FOR THE LOSS THE BANK PROVES IT INCURRED AS A RESULT OF
5 THE FAILURE, BUT THE LIABILITY OF THE SENDER MAY NOT EXCEED THE
6 AMOUNT OF THE SENDER'S ORDER.

7 (3) THIS SECTION APPLIES TO AMENDMENTS TO PAYMENT ORDERS TO
8 THE SAME EXTENT IT APPLIES TO PAYMENT ORDERS.

9 SEC. 4A206. (1) IF A PAYMENT ORDER ADDRESSED TO A RECEIVING
10 BANK IS TRANSMITTED TO A FUNDS-TRANSFER SYSTEM OR OTHER
11 THIRD-PARTY COMMUNICATION SYSTEM FOR TRANSMITTAL TO THE BANK, THE
12 SYSTEM IS DEEMED TO BE AN AGENT OF THE SENDER FOR THE PURPOSE OF
13 TRANSMITTING THE PAYMENT ORDER TO THE BANK. IF THERE IS A
14 DISCREPANCY BETWEEN THE TERMS OF THE PAYMENT ORDER TRANSMITTED TO
15 THE SYSTEM AND THE TERMS OF THE PAYMENT ORDER TRANSMITTED BY THE
16 SYSTEM TO THE BANK, THE TERMS OF THE PAYMENT ORDER OF THE SENDER
17 ARE THOSE TRANSMITTED BY THE SYSTEM. THIS SECTION DOES NOT APPLY
18 TO A FUNDS-TRANSFER SYSTEM OF THE FEDERAL RESERVE BANKS.

19 (2) THIS SECTION APPLIES TO CANCELLATIONS AND AMENDMENTS OF
20 PAYMENT ORDERS TO THE SAME EXTENT IT APPLIES TO PAYMENT ORDERS.

21 SEC. 4A207. (1) SUBJECT TO SUBSECTION (2), IF, IN A PAYMENT
22 ORDER RECEIVED BY THE BENEFICIARY'S BANK, THE NAME, BANK ACCOUNT
23 NUMBER, OR OTHER IDENTIFICATION OF THE BENEFICIARY REFERS TO A
24 NONEXISTENT OR UNIDENTIFIABLE PERSON OR ACCOUNT, NO PERSON HAS
25 RIGHTS AS A BENEFICIARY OF THE ORDER AND ACCEPTANCE OF THE ORDER
26 CANNOT OCCUR.

1 (2) IF A PAYMENT ORDER RECEIVED BY THE BENEFICIARY'S BANK
2 IDENTIFIES THE BENEFICIARY BOTH BY NAME AND BY AN IDENTIFYING OR
3 BANK ACCOUNT NUMBER AND THE NAME AND NUMBER IDENTIFY DIFFERENT
4 PERSONS, THE FOLLOWING RULES APPLY:

5 (A) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3), IF THE
6 BENEFICIARY'S BANK DOES NOT KNOW THAT THE NAME AND NUMBER REFER
7 TO DIFFERENT PERSONS, IT MAY RELY ON THE NUMBER AS THE PROPER
8 IDENTIFICATION OF THE BENEFICIARY OF THE ORDER. THE
9 BENEFICIARY'S BANK NEED NOT DETERMINE WHETHER THE NAME AND NUMBER
10 REFER TO THE SAME PERSON.

11 (B) IF THE BENEFICIARY'S BANK PAYS THE PERSON IDENTIFIED BY
12 NAME OR KNOWS THAT THE NAME AND NUMBER IDENTIFY DIFFERENT PER-
13 SONS, NO PERSON HAS RIGHTS AS BENEFICIARY EXCEPT THE PERSON PAID
14 BY THE BENEFICIARY'S BANK IF THAT PERSON WAS ENTITLED TO RECEIVE
15 PAYMENT FROM THE ORIGINATOR OF THE FUNDS TRANSFER. IF NO PERSON
16 HAS RIGHTS AS BENEFICIARY, ACCEPTANCE OF THE ORDER CANNOT OCCUR.

17 (3) IF (i) A PAYMENT ORDER DESCRIBED IN SUBSECTION (2) IS
18 ACCEPTED, (ii) THE ORIGINATOR'S PAYMENT ORDER DESCRIBED THE BENE-
19 FICIARY INCONSISTENTLY BY NAME AND NUMBER, AND (iii) THE
20 BENEFICIARY'S BANK PAYS THE PERSON IDENTIFIED BY NUMBER AS PER-
21 MITTED BY SUBSECTION (2)(A), THE FOLLOWING RULES APPLY:

22 (A) IF THE ORIGINATOR IS A BANK, THE ORIGINATOR IS OBLIGED
23 TO PAY ITS ORDER.

24 (B) IF THE ORIGINATOR IS NOT A BANK AND PROVES THAT THE
25 PERSON IDENTIFIED BY NUMBER WAS NOT ENTITLED TO RECEIVE PAYMENT
26 FROM THE ORIGINATOR, THE ORIGINATOR IS NOT OBLIGED TO PAY ITS
27 ORDER UNLESS THE ORIGINATOR'S BANK PROVES THAT THE ORIGINATOR,

1 BEFORE ACCEPTANCE OF THE ORIGINATOR'S ORDER, HAD NOTICE THAT
2 PAYMENT OF A PAYMENT ORDER ISSUED BY THE ORIGINATOR MIGHT BE MADE
3 BY THE BENEFICIARY'S BANK ON THE BASIS OF AN IDENTIFYING OR BANK
4 ACCOUNT NUMBER EVEN IF IT IDENTIFIES A PERSON DIFFERENT FROM THE
5 NAMED BENEFICIARY. PROOF OF NOTICE MAY BE MADE BY ANY ADMISSIBLE
6 EVIDENCE. THE ORIGINATOR'S BANK SATISFIES THE BURDEN OF PROOF IF
7 IT PROVES THAT THE ORIGINATOR, BEFORE THE PAYMENT ORDER WAS
8 ACCEPTED, SIGNED A WRITING STATING THE INFORMATION TO WHICH THE
9 NOTICE RELATES.

10 (4) IN A CASE GOVERNED BY SUBSECTION (2)(A), IF THE
11 BENEFICIARY'S BANK RIGHTFULLY PAYS THE PERSON IDENTIFIED BY
12 NUMBER AND THAT PERSON WAS NOT ENTITLED TO RECEIVE PAYMENT FROM
13 THE ORIGINATOR, THE AMOUNT PAID MAY BE RECOVERED FROM THAT PERSON
14 TO THE EXTENT ALLOWED BY THE LAW GOVERNING MISTAKE AND RESTITU-
15 TION AS FOLLOWS:

16 (A) IF THE ORIGINATOR IS OBLIGED TO PAY ITS PAYMENT ORDER AS
17 STATED IN SUBSECTION (3), THE ORIGINATOR HAS THE RIGHT TO
18 RECOVER.

19 (B) IF THE ORIGINATOR IS NOT A BANK AND IS NOT OBLIGED TO
20 PAY ITS PAYMENT ORDER, THE ORIGINATOR'S BANK HAS THE RIGHT TO
21 RECOVER.

22 SEC. 4A208. (1) THE FOLLOWING RULES APPLY TO A PAYMENT
23 ORDER IDENTIFYING AN INTERMEDIARY BANK OR THE BENEFICIARY'S BANK
24 ONLY BY AN IDENTIFYING NUMBER:

25 (A) THE RECEIVING BANK MAY RELY ON THE NUMBER AS THE PROPER
26 IDENTIFICATION OF THE INTERMEDIARY OR BENEFICIARY'S BANK AND NEED
27 NOT DETERMINE WHETHER THE NUMBER IDENTIFIES A BANK.

1 (B) THE SENDER IS OBLIGED TO COMPENSATE THE RECEIVING BANK
2 FOR ANY LOSS AND EXPENSES INCURRED BY THE RECEIVING BANK AS A
3 RESULT OF ITS RELIANCE ON THE NUMBER IN EXECUTING OR ATTEMPTING
4 TO EXECUTE THE ORDER.

5 (2) THE FOLLOWING RULES APPLY TO A PAYMENT ORDER IDENTIFYING
6 AN INTERMEDIARY BANK OR THE BENEFICIARY'S BANK BOTH BY NAME AND
7 AN IDENTIFYING NUMBER IF THE NAME AND NUMBER IDENTIFY DIFFERENT
8 PERSONS.

9 (A) IF THE SENDER IS A BANK, THE RECEIVING BANK MAY RELY ON
10 THE NUMBER AS THE PROPER IDENTIFICATION OF THE INTERMEDIARY OR
11 BENEFICIARY'S BANK IF THE RECEIVING BANK, WHEN IT EXECUTES THE
12 SENDER'S ORDER, DOES NOT KNOW THAT THE NAME AND NUMBER IDENTIFY
13 DIFFERENT PERSONS. THE RECEIVING BANK NEED NOT DETERMINE WHETHER
14 THE NAME AND NUMBER REFER TO THE SAME PERSON OR WHETHER THE
15 NUMBER REFERS TO A BANK. THE SENDER IS OBLIGED TO COMPENSATE THE
16 RECEIVING BANK FOR ANY LOSS AND EXPENSES INCURRED BY THE RECEIV-
17 ING BANK AS A RESULT OF ITS RELIANCE ON THE NUMBER IN EXECUTING
18 OR ATTEMPTING TO EXECUTE THE ORDER.

19 (B) IF THE SENDER IS NOT A BANK AND THE RECEIVING BANK
20 PROVES THAT THE SENDER, BEFORE THE PAYMENT ORDER WAS ACCEPTED,
21 HAD NOTICE THAT THE RECEIVING BANK MIGHT RELY ON THE NUMBER AS
22 THE PROPER IDENTIFICATION OF THE INTERMEDIARY OR BENEFICIARY'S
23 BANK EVEN IF IT IDENTIFIES A PERSON DIFFERENT FROM THE BANK IDEN-
24 TIFIED BY NAME, THE RIGHTS AND OBLIGATIONS OF THE SENDER AND THE
25 RECEIVING BANK ARE GOVERNED BY SUBSECTION (2) (A), AS THOUGH THE
26 SENDER WERE A BANK. PROOF OF NOTICE MAY BE MADE BY ANY
27 ADMISSIBLE EVIDENCE. THE RECEIVING BANK SATISFIES THE BURDEN OF

1 PROOF IF IT PROVES THAT THE SENDER, BEFORE THE PAYMENT ORDER WAS
2 ACCEPTED, SIGNED A WRITING STATING THE INFORMATION TO WHICH THE
3 NOTICE RELATES.

4 (C) REGARDLESS OF WHETHER THE SENDER IS A BANK, THE RECEIV-
5 ING BANK MAY RELY ON THE NAME AS THE PROPER IDENTIFICATION OF THE
6 INTERMEDIARY OR BENEFICIARY'S BANK IF THE RECEIVING BANK, AT THE
7 TIME IT EXECUTES THE SENDER'S ORDER, DOES NOT KNOW THAT THE NAME
8 AND NUMBER IDENTIFY DIFFERENT PERSONS. THE RECEIVING BANK NEED
9 NOT DETERMINE WHETHER THE NAME AND NUMBER REFER TO THE SAME
10 PERSON.

11 (D) IF THE RECEIVING BANK KNOWS THAT THE NAME AND NUMBER
12 IDENTIFY DIFFERENT PERSONS, RELIANCE ON EITHER THE NAME OR THE
13 NUMBER IN EXECUTING THE SENDER'S PAYMENT ORDER IS A BREACH OF THE
14 OBLIGATION STATED IN SECTION 4A302(1)(A).

15 SEC. 4A209. (1) SUBJECT TO SUBSECTION (4), A RECEIVING BANK
16 OTHER THAN THE BENEFICIARY'S BANK ACCEPTS A PAYMENT ORDER WHEN IT
17 EXECUTES THE ORDER.

18 (2) SUBJECT TO SUBSECTIONS (3) AND (4), A BENEFICIARY'S BANK
19 ACCEPTS A PAYMENT ORDER AT THE EARLIEST OF THE FOLLOWING TIMES:

20 (A) WHEN THE BANK PAYS THE BENEFICIARY AS STATED IN SECTION
21 4A405(1) OR (2), OR NOTIFIES THE BENEFICIARY OF RECEIPT OF THE
22 ORDER OR THAT THE ACCOUNT OF THE BENEFICIARY HAS BEEN CREDITED
23 WITH RESPECT TO THE ORDER UNLESS THE NOTICE INDICATES THAT THE
24 BANK IS REJECTING THE ORDER OR THAT FUNDS WITH RESPECT TO THE
25 ORDER MAY NOT BE WITHDRAWN OR USED UNTIL RECEIPT OF PAYMENT FROM
26 THE SENDER OF THE ORDER.

1 (B) WHEN THE BANK RECEIVES PAYMENT OF THE ENTIRE AMOUNT OF
2 THE SENDER'S ORDER PURSUANT TO SECTION 4A403(1)(A) OR (B).

3 (C) THE OPENING OF THE NEXT FUNDS-TRANSFER BUSINESS DAY OF
4 THE BANK FOLLOWING THE PAYMENT DATE OF THE ORDER IF, AT THAT
5 TIME, THE AMOUNT OF THE SENDER'S ORDER IS FULLY COVERED BY A
6 WITHDRAWABLE CREDIT BALANCE IN AN AUTHORIZED ACCOUNT OF THE
7 SENDER OR THE BANK HAS OTHERWISE RECEIVED FULL PAYMENT FROM THE
8 SENDER, UNLESS THE ORDER WAS REJECTED BEFORE THAT TIME OR IS
9 REJECTED WITHIN 1 HOUR AFTER THAT TIME, OR 1 HOUR AFTER THE OPEN-
10 ING OF THE NEXT BUSINESS DAY OF THE SENDER FOLLOWING THE PAYMENT
11 DATE IF THAT TIME IS LATER. IF NOTICE OF REJECTION IS RECEIVED
12 BY THE SENDER AFTER THE PAYMENT DATE AND THE AUTHORIZED ACCOUNT
13 OF THE SENDER DOES NOT BEAR INTEREST, THE BANK IS OBLIGED TO PAY
14 INTEREST TO THE SENDER ON THE AMOUNT OF THE ORDER FOR THE NUMBER
15 OF DAYS ELAPSING AFTER THE PAYMENT DATE TO THE DAY THE SENDER
16 RECEIVES NOTICE OR LEARNS THAT THE ORDER WAS NOT ACCEPTED, COUNT-
17 ING THAT DAY AS AN ELAPSED DAY. IF THE WITHDRAWABLE CREDIT BAL-
18 ANCE DURING THAT PERIOD FALLS BELOW THE AMOUNT OF THE ORDER, THE
19 AMOUNT OF INTEREST PAYABLE IS REDUCED ACCORDINGLY.

20 (3) ACCEPTANCE OF A PAYMENT ORDER CANNOT OCCUR BEFORE THE
21 ORDER IS RECEIVED BY THE RECEIVING BANK. ACCEPTANCE DOES NOT
22 OCCUR UNDER SUBSECTION (2)(B) OR (C) IF THE BENEFICIARY OF THE
23 PAYMENT ORDER DOES NOT HAVE AN ACCOUNT WITH THE RECEIVING BANK,
24 THE ACCOUNT HAS BEEN CLOSED, OR THE RECEIVING BANK IS NOT PERMIT-
25 TED BY LAW TO RECEIVE CREDITS FOR THE BENEFICIARY'S ACCOUNT.

26 (4) A PAYMENT ORDER ISSUED TO THE ORIGINATOR'S BANK CANNOT
27 BE ACCEPTED UNTIL THE PAYMENT DATE IF THE BANK IS THE

1 BENEFICIARY'S BANK, OR THE EXECUTION DATE IF THE BANK IS NOT THE
2 BENEFICIARY'S BANK. IF THE ORIGINATOR'S BANK EXECUTES THE
3 ORIGINATOR'S PAYMENT ORDER BEFORE THE EXECUTION DATE OR PAYS THE
4 BENEFICIARY OF THE ORIGINATOR'S PAYMENT ORDER BEFORE THE PAYMENT
5 DATE AND THE PAYMENT ORDER IS SUBSEQUENTLY CANCELED PURSUANT TO
6 SECTION 4A211(2), THE BANK MAY RECOVER FROM THE BENEFICIARY ANY
7 PAYMENT RECEIVED TO THE EXTENT ALLOWED BY THE LAW GOVERNING MIS-
8 TAKE AND RESTITUTION.

9 SEC. 4A210. (1) A PAYMENT ORDER IS REJECTED BY THE RECEIV-
10 ING BANK BY A NOTICE OF REJECTION TRANSMITTED TO THE SENDER
11 ORALLY, ELECTRONICALLY, OR IN WRITING. A NOTICE OF REJECTION
12 NEED NOT USE ANY PARTICULAR WORDS AND IS SUFFICIENT IF IT INDI-
13 CATES THAT THE RECEIVING BANK IS REJECTING THE ORDER OR WILL NOT
14 EXECUTE OR PAY THE ORDER. REJECTION IS EFFECTIVE WHEN THE NOTICE
15 IS GIVEN IF TRANSMISSION IS BY A MEANS THAT IS REASONABLE IN THE
16 CIRCUMSTANCES. IF NOTICE OF REJECTION IS GIVEN BY A MEANS THAT
17 IS NOT REASONABLE, REJECTION IS EFFECTIVE WHEN THE NOTICE IS
18 RECEIVED. IF AN AGREEMENT OF THE SENDER AND RECEIVING BANK
19 ESTABLISHES THE MEANS TO BE USED TO REJECT A PAYMENT ORDER, ANY
20 MEANS COMPLYING WITH THE AGREEMENT IS REASONABLE AND ANY MEANS
21 NOT COMPLYING IS NOT REASONABLE UNLESS NO SIGNIFICANT DELAY IN
22 RECEIPT OF THE NOTICE RESULTED FROM THE USE OF THE NONCOMPLYING
23 MEANS.

24 (2) THIS SUBSECTION APPLIES IF A RECEIVING BANK OTHER THAN
25 THE BENEFICIARY'S BANK FAILS TO EXECUTE A PAYMENT ORDER DESPITE
26 THE EXISTENCE ON THE EXECUTION DATE OF A WITHDRAWABLE CREDIT
27 BALANCE IN AN AUTHORIZED ACCOUNT OF THE SENDER SUFFICIENT TO

1 COVER THE ORDER. IF THE SENDER DOES NOT RECEIVE NOTICE OF
2 REJECTION OF THE ORDER ON THE EXECUTION DATE AND THE AUTHORIZED
3 ACCOUNT OF THE SENDER DOES NOT BEAR INTEREST, THE BANK IS OBLIGED
4 TO PAY INTEREST TO THE SENDER ON THE AMOUNT OF THE ORDER FOR THE
5 NUMBER OF DAYS ELAPSING AFTER THE EXECUTION DATE TO THE EARLIER
6 OF THE DAY THE ORDER IS CANCELED PURSUANT TO SECTION 4A211(4) OR
7 THE DAY THE SENDER RECEIVES NOTICE OR LEARNS THAT THE ORDER WAS
8 NOT EXECUTED, COUNTING THE FINAL DAY OF THE PERIOD AS AN ELAPSED
9 DAY. IF THE WITHDRAWABLE CREDIT BALANCE DURING THAT PERIOD FALLS
10 BELOW THE AMOUNT OF THE ORDER, THE AMOUNT OF INTEREST IS REDUCED
11 ACCORDINGLY.

12 (3) IF A RECEIVING BANK SUSPENDS PAYMENTS, ALL UNACCEPTED
13 PAYMENT ORDERS ISSUED TO IT ARE DEEMED REJECTED AT THE TIME THE
14 BANK SUSPENDS PAYMENTS.

15 (4) ACCEPTANCE OF A PAYMENT ORDER PRECLUDES A LATER REJEC-
16 TION OF THE ORDER. REJECTION OF A PAYMENT ORDER PRECLUDES A
17 LATER ACCEPTANCE OF THE ORDER.

18 SEC. 4A211. (1) A COMMUNICATION OF THE SENDER OF A PAYMENT
19 ORDER CANCELING OR AMENDING THE ORDER MAY BE TRANSMITTED TO THE
20 RECEIVING BANK ORALLY, ELECTRONICALLY, OR IN WRITING. IF A
21 SECURITY PROCEDURE IS IN EFFECT BETWEEN THE SENDER AND THE
22 RECEIVING BANK, THE COMMUNICATION IS NOT EFFECTIVE TO CANCEL OR
23 AMEND THE ORDER UNLESS THE COMMUNICATION IS VERIFIED PURSUANT TO
24 THE SECURITY PROCEDURE OR THE BANK AGREES TO THE CANCELLATION OR
25 AMENDMENT.

26 (2) SUBJECT TO SUBSECTION (1), A COMMUNICATION BY THE SENDER
27 CANCELING OR AMENDING A PAYMENT ORDER IS EFFECTIVE TO CANCEL OR

1 AMEND THE ORDER IF NOTICE OF THE COMMUNICATION IS RECEIVED AT A
2 TIME AND IN A MANNER AFFORDING THE RECEIVING BANK A REASONABLE
3 OPPORTUNITY TO ACT ON THE COMMUNICATION BEFORE THE BANK ACCEPTS
4 THE PAYMENT ORDER.

5 (3) AFTER A PAYMENT ORDER HAS BEEN ACCEPTED, CANCELLATION,
6 OR AMENDMENT OF THE ORDER IS NOT EFFECTIVE UNLESS THE RECEIVING
7 BANK AGREES OR A FUNDS-TRANSFER SYSTEM RULE ALLOWS CANCELLATION
8 OR AMENDMENT WITHOUT AGREEMENT OF THE BANK. WITH RESPECT TO A
9 PAYMENT ORDER, THE FOLLOWING RULES APPLY:

10 (A) A PAYMENT ORDER ACCEPTED BY A RECEIVING BANK OTHER THAN
11 THE BENEFICIARY'S BANK, CANCELLATION, OR AMENDMENT IS NOT EFFEC-
12 TIVE UNLESS A CONFORMING CANCELLATION OR AMENDMENT OF THE PAYMENT
13 ORDER ISSUED BY THE RECEIVING BANK IS ALSO MADE.

14 (B) A PAYMENT ORDER ACCEPTED BY THE BENEFICIARY'S BANK, CAN-
15 CELLATION, OR AMENDMENT IS NOT EFFECTIVE UNLESS THE ORDER WAS
16 ISSUED IN EXECUTION OF AN UNAUTHORIZED PAYMENT ORDER, OR BECAUSE
17 OF A MISTAKE BY A SENDER IN THE FUNDS TRANSFER WHICH RESULTED IN
18 THE ISSUANCE OF A PAYMENT ORDER THAT IS A DUPLICATE OF A PAYMENT
19 ORDER PREVIOUSLY ISSUED BY THE SENDER, THAT ORDERS PAYMENT TO A
20 BENEFICIARY NOT ENTITLED TO RECEIVE PAYMENT FROM THE ORIGINATOR,
21 OR THAT ORDERS PAYMENT IN AN AMOUNT GREATER THAN THE AMOUNT THE
22 BENEFICIARY WAS ENTITLED TO RECEIVE FROM THE ORIGINATOR. IF THE
23 PAYMENT ORDER IS CANCELED OR AMENDED, THE BENEFICIARY'S BANK IS
24 ENTITLED TO RECOVER FROM THE BENEFICIARY ANY AMOUNT PAID TO THE
25 BENEFICIARY TO THE EXTENT ALLOWED BY THE LAW GOVERNING MISTAKE
26 AND RESTITUTION.

1 (4) AN UNACCEPTED PAYMENT ORDER IS CANCELED BY OPERATION OF
2 LAW AT THE CLOSE OF THE FIFTH FUNDS-TRANSFER BUSINESS DAY OF THE
3 RECEIVING BANK AFTER THE EXECUTION DATE OR PAYMENT DATE OF THE
4 ORDER.

5 (5) A CANCELED PAYMENT ORDER CANNOT BE ACCEPTED. IF AN
6 ACCEPTED PAYMENT ORDER IS CANCELED, THE ACCEPTANCE IS NULLIFIED
7 AND NO PERSON HAS ANY RIGHT OR OBLIGATION BASED ON THE
8 ACCEPTANCE. AMENDMENT OF A PAYMENT ORDER IS DEEMED TO BE CANCEL-
9 LATION OF THE ORIGINAL ORDER AT THE TIME OF AMENDMENT AND ISSUE
10 OF A NEW PAYMENT ORDER IN THE AMENDED FORM AT THE SAME TIME.

11 (6) UNLESS OTHERWISE PROVIDED IN AN AGREEMENT OF THE PARTIES
12 OR IN A FUNDS-TRANSFER SYSTEM RULE, IF THE RECEIVING BANK, AFTER
13 ACCEPTING A PAYMENT ORDER, AGREES TO CANCELLATION OR AMENDMENT OF
14 THE ORDER BY THE SENDER OR IS BOUND BY A FUNDS-TRANSFER SYSTEM
15 RULE ALLOWING CANCELLATION OR AMENDMENT WITHOUT THE BANK'S AGREE-
16 MENT, THE SENDER, WHETHER OR NOT CANCELLATION OR AMENDMENT IS
17 EFFECTIVE, IS LIABLE TO THE BANK FOR ANY LOSS AND EXPENSES,
18 INCLUDING REASONABLE ATTORNEY'S FEES, INCURRED BY THE BANK AS A
19 RESULT OF THE CANCELLATION OR AMENDMENT OR ATTEMPTED CANCELLATION
20 OR AMENDMENT.

21 (7) A PAYMENT ORDER IS NOT REVOKED BY THE DEATH OR LEGAL
22 INCAPACITY OF THE SENDER UNLESS THE RECEIVING BANK KNOWS OF THE
23 DEATH OR OF AN ADJUDICATION OF INCAPACITY BY A COURT OF COMPETENT
24 JURISDICTION AND HAS REASONABLE OPPORTUNITY TO ACT BEFORE ACCEP-
25 TANCE OF THE ORDER.

26 (8) A FUNDS-TRANSFER SYSTEM RULE IS NOT EFFECTIVE TO THE
27 EXTENT IT CONFLICTS WITH SUBSECTION (3)(B).

1 SEC. 4A212. IF A RECEIVING BANK FAILS TO ACCEPT A PAYMENT
2 ORDER THAT IT IS OBLIGED BY EXPRESS AGREEMENT TO ACCEPT, THE BANK
3 IS LIABLE FOR BREACH OF THE AGREEMENT TO THE EXTENT PROVIDED IN
4 THE AGREEMENT OR IN THIS ARTICLE, BUT DOES NOT OTHERWISE HAVE ANY
5 DUTY TO ACCEPT A PAYMENT ORDER OR, BEFORE ACCEPTANCE, TO TAKE ANY
6 ACTION, OR REFRAIN FROM TAKING ACTION, WITH RESPECT TO THE ORDER
7 EXCEPT AS PROVIDED IN THIS ARTICLE OR BY EXPRESS AGREEMENT.
8 LIABILITY BASED ON ACCEPTANCE ARISES ONLY WHEN ACCEPTANCE OCCURS
9 AS STATED IN SECTION 4A209, AND LIABILITY IS LIMITED TO THAT PRO-
10 VIDED IN THIS ARTICLE. A RECEIVING BANK IS NOT THE AGENT OF THE
11 SENDER OR BENEFICIARY OF THE PAYMENT ORDER IT ACCEPTS, OR OF ANY
12 OTHER PARTY TO THE FUNDS TRANSFER, AND THE BANK OWES NO DUTY TO
13 ANY PARTY TO THE FUNDS TRANSFER EXCEPT AS PROVIDED IN THIS ARTI-
14 CLE OR BY EXPRESS AGREEMENT.

15 PART 3. EXECUTION OF SENDER'S PAYMENT ORDER BY RECEIVING BANK

16 SEC. 4A301. (1) A PAYMENT ORDER IS "EXECUTED" BY THE
17 RECEIVING BANK WHEN IT ISSUES A PAYMENT ORDER INTENDED TO CARRY
18 OUT THE PAYMENT ORDER RECEIVED BY THE BANK. A PAYMENT ORDER
19 RECEIVED BY THE BENEFICIARY'S BANK CAN BE ACCEPTED BUT CANNOT BE
20 EXECUTED.

21 (2) "EXECUTION DATE" OF A PAYMENT ORDER MEANS THE DAY ON
22 WHICH THE RECEIVING BANK MAY PROPERLY ISSUE A PAYMENT ORDER IN
23 EXECUTION OF THE SENDER'S ORDER. THE EXECUTION DATE MAY BE
24 DETERMINED BY INSTRUCTION OF THE SENDER BUT CANNOT BE EARLIER
25 THAN THE DAY THE ORDER IS RECEIVED AND, UNLESS OTHERWISE DETER-
26 MINED, IS THE DAY THE ORDER IS RECEIVED. IF THE SENDER'S
27 INSTRUCTION STATES A PAYMENT DATE, THE EXECUTION DATE IS THE

1 PAYMENT DATE OR AN EARLIER DATE ON WHICH EXECUTION IS REASONABLY
2 NECESSARY TO ALLOW PAYMENT TO THE BENEFICIARY ON THE PAYMENT
3 DATE.

4 SEC. 4A302. (1) EXCEPT AS PROVIDED IN SUBSECTIONS (2)
5 THROUGH (4), IF THE RECEIVING BANK ACCEPTS A PAYMENT ORDER PURSU-
6 ANT TO SECTION 4A209(1), THE BANK HAS THE FOLLOWING OBLIGATIONS
7 IN EXECUTING THE ORDER:

8 (A) THE RECEIVING BANK IS OBLIGED TO ISSUE, ON THE EXECUTION
9 DATE, A PAYMENT ORDER COMPLYING WITH THE SENDER'S ORDER AND TO
10 FOLLOW THE SENDER'S INSTRUCTIONS CONCERNING ANY INTERMEDIARY BANK
11 OR FUNDS-TRANSFER SYSTEM TO BE USED IN CARRYING OUT THE FUNDS
12 TRANSFER, OR THE MEANS BY WHICH PAYMENT ORDERS ARE TO BE TRANS-
13 MITTED IN THE FUNDS TRANSFER. IF THE ORIGINATOR'S BANK ISSUES A
14 PAYMENT ORDER TO AN INTERMEDIARY BANK, THE ORIGINATOR'S BANK IS
15 OBLIGED TO INSTRUCT THE INTERMEDIARY BANK ACCORDING TO THE
16 INSTRUCTION OF THE ORIGINATOR. AN INTERMEDIARY BANK IN THE FUNDS
17 TRANSFER IS SIMILARLY BOUND BY AN INSTRUCTION GIVEN TO IT BY THE
18 SENDER OF THE PAYMENT ORDER IT ACCEPTS.

19 (B) IF THE SENDER'S INSTRUCTION STATES THAT THE FUNDS TRANS-
20 FER IS TO BE CARRIED OUT TELEPHONICALLY OR BY WIRE TRANSFER OR
21 OTHERWISE INDICATES THAT THE FUNDS TRANSFER IS TO BE CARRIED OUT
22 BY THE MOST EXPEDITIOUS MEANS, THE RECEIVING BANK IS OBLIGED TO
23 TRANSMIT ITS PAYMENT ORDER BY THE MOST EXPEDITIOUS AVAILABLE
24 MEANS, AND TO INSTRUCT ANY INTERMEDIARY BANK ACCORDINGLY. IF A
25 SENDER'S INSTRUCTION STATES A PAYMENT DATE, THE RECEIVING BANK IS
26 OBLIGED TO TRANSMIT ITS PAYMENT ORDER AT A TIME AND BY MEANS

1 REASONABLY NECESSARY TO ALLOW PAYMENT TO THE BENEFICIARY ON THE
2 PAYMENT DATE OR AS SOON THEREAFTER AS IS FEASIBLE.

3 (2) UNLESS OTHERWISE INSTRUCTED, A RECEIVING BANK EXECUTING
4 A PAYMENT ORDER MAY USE ANY FUNDS-TRANSFER SYSTEM IF USE OF THAT
5 SYSTEM IS REASONABLE IN THE CIRCUMSTANCES, AND ISSUE A PAYMENT
6 ORDER TO THE BENEFICIARY'S BANK OR TO AN INTERMEDIARY BANK
7 THROUGH WHICH A PAYMENT ORDER CONFORMING TO THE SENDER'S ORDER
8 CAN EXPEDITIOUSLY BE ISSUED TO THE BENEFICIARY'S BANK IF THE
9 RECEIVING BANK EXERCISES ORDINARY CARE IN THE SELECTION OF THE
10 INTERMEDIARY BANK. A RECEIVING BANK IS NOT REQUIRED TO FOLLOW AN
11 INSTRUCTION OF THE SENDER DESIGNATING A FUNDS-TRANSFER SYSTEM TO
12 BE USED IN CARRYING OUT THE FUNDS TRANSFER IF THE RECEIVING BANK,
13 IN GOOD FAITH, DETERMINES THAT IT IS NOT FEASIBLE TO FOLLOW THE
14 INSTRUCTION OR THAT FOLLOWING THE INSTRUCTION WOULD UNDULY DELAY
15 COMPLETION OF THE FUNDS TRANSFER.

16 (3) UNLESS SUBSECTION (1)(B) APPLIES OR THE RECEIVING BANK
17 IS OTHERWISE INSTRUCTED, THE BANK MAY EXECUTE A PAYMENT ORDER BY
18 TRANSMITTING ITS PAYMENT ORDER BY FIRST-CLASS MAIL OR BY ANY
19 MEANS REASONABLE IN THE CIRCUMSTANCES. IF THE RECEIVING BANK IS
20 INSTRUCTED TO EXECUTE THE SENDER'S ORDER BY TRANSMITTING ITS PAY-
21 MENT ORDER BY A PARTICULAR MEANS, THE RECEIVING BANK MAY ISSUE
22 ITS PAYMENT ORDER BY THE MEANS STATED OR BY ANY MEANS AS EXPEDI-
23 TIOUS AS THE MEANS STATED.

24 (4) UNLESS INSTRUCTED BY THE SENDER, THE RECEIVING BANK MAY
25 NOT OBTAIN PAYMENT OF ITS CHARGES FOR SERVICES AND EXPENSES IN
26 CONNECTION WITH THE EXECUTION OF THE SENDER'S ORDER BY ISSUING A
27 PAYMENT ORDER IN AN AMOUNT EQUAL TO THE AMOUNT OF THE SENDER'S

1 ORDER LESS THE AMOUNT OF THE CHARGES, AND MAY NOT INSTRUCT A
2 SUBSEQUENT RECEIVING BANK TO OBTAIN PAYMENT OF ITS CHARGES IN THE
3 SAME MANNER.

4 SEC. 4A303. (1) A RECEIVING BANK THAT EXECUTES THE PAYMENT
5 ORDER OF THE SENDER BY ISSUING A PAYMENT ORDER IN AN AMOUNT
6 GREATER THAN THE AMOUNT OF THE SENDER'S ORDER, OR ISSUES A PAY-
7 MENT ORDER IN EXECUTION OF THE SENDER'S ORDER AND THEN ISSUES A
8 DUPLICATE ORDER, IS ENTITLED TO PAYMENT OF THE AMOUNT OF THE
9 SENDER'S ORDER UNDER SECTION 4A402(3) IF THAT SUBSECTION IS OTH-
10 ERWISE SATISFIED. THE BANK IS ENTITLED TO RECOVER FROM THE BENE-
11 FICIARY OF THE ERRONEOUS ORDER THE EXCESS PAYMENT RECEIVED TO THE
12 EXTENT ALLOWED BY THE LAW GOVERNING MISTAKE AND RESTITUTION.

13 (2) A RECEIVING BANK THAT EXECUTES THE PAYMENT ORDER OF THE
14 SENDER BY ISSUING A PAYMENT ORDER IN AN AMOUNT LESS THAN THE
15 AMOUNT OF THE SENDER'S ORDER IS ENTITLED TO PAYMENT OF THE AMOUNT
16 OF THE SENDER'S ORDER UNDER SECTION 4A402(3) IF THAT SUBSECTION
17 IS OTHERWISE SATISFIED AND THE BANK CORRECTS ITS MISTAKE BY ISSU-
18 ING AN ADDITIONAL PAYMENT ORDER FOR THE BENEFIT OF THE BENEFI-
19 CIARY OF THE SENDER'S ORDER. IF THE ERROR IS NOT CORRECTED, THE
20 ISSUER OF THE ERRONEOUS ORDER IS ENTITLED TO RECEIVE OR RETAIN
21 PAYMENT FROM THE SENDER OF THE ORDER IT ACCEPTED ONLY TO THE
22 EXTENT OF THE AMOUNT OF THE ERRONEOUS ORDER. THIS SUBSECTION
23 DOES NOT APPLY IF THE RECEIVING BANK EXECUTES THE SENDER'S PAY-
24 MENT ORDER BY ISSUING A PAYMENT ORDER IN AN AMOUNT LESS THAN THE
25 AMOUNT OF THE SENDER'S ORDER FOR THE PURPOSE OF OBTAINING PAYMENT
26 OF ITS CHARGES FOR SERVICES AND EXPENSES PURSUANT TO INSTRUCTION
27 OF THE SENDER.

1 (3) IF A RECEIVING BANK EXECUTES THE PAYMENT ORDER OF THE
2 SENDER BY ISSUING A PAYMENT ORDER TO A BENEFICIARY DIFFERENT FROM
3 THE BENEFICIARY OF THE SENDER'S ORDER AND THE FUNDS TRANSFER IS
4 COMPLETED ON THE BASIS OF THAT ERROR, THE SENDER OF THE PAYMENT
5 ORDER THAT WAS ERRONEOUSLY EXECUTED AND ALL PREVIOUS SENDERS IN
6 THE FUNDS TRANSFER ARE NOT OBLIGED TO PAY THE PAYMENT ORDERS THEY
7 ISSUED. THE ISSUER OF THE ERRONEOUS ORDER IS ENTITLED TO RECOVER
8 FROM THE BENEFICIARY OF THE ORDER THE PAYMENT RECEIVED TO THE
9 EXTENT ALLOWED BY THE LAW GOVERNING MISTAKE AND RESTITUTION.

10 SEC. 4A304. IF THE SENDER OF A PAYMENT ORDER THAT IS ERRO-
11 NEOUSLY EXECUTED AS STATED IN SECTION 4A303 RECEIVES NOTIFICATION
12 FROM THE RECEIVING BANK THAT THE ORDER WAS EXECUTED OR THAT THE
13 SENDER'S ACCOUNT WAS DEBITED WITH RESPECT TO THE ORDER, THE
14 SENDER HAS A DUTY TO EXERCISE ORDINARY CARE TO DETERMINE, ON THE
15 BASIS OF INFORMATION AVAILABLE TO THE SENDER, THAT THE ORDER WAS
16 ERRONEOUSLY EXECUTED AND TO NOTIFY THE BANK OF THE RELEVANT FACTS
17 WITHIN A REASONABLE TIME NOT EXCEEDING 90 DAYS AFTER THE NOTIFI-
18 CATION FROM THE BANK WAS RECEIVED BY THE SENDER. IF THE SENDER
19 FAILS TO PERFORM THAT DUTY, THE BANK IS NOT OBLIGED TO PAY INTER-
20 EST ON ANY AMOUNT REFUNDABLE TO THE SENDER UNDER SECTION 4A402(4)
21 FOR THE PERIOD BEFORE THE BANK LEARNS OF THE EXECUTION ERROR.
22 THE BANK IS NOT ENTITLED TO ANY RECOVERY FROM THE SENDER ON
23 ACCOUNT OF A FAILURE BY THE SENDER TO PERFORM THE DUTY STATED IN
24 THIS SECTION.

25 SEC. 4A305. (1) IF A FUNDS TRANSFER IS COMPLETED BUT EXECU-
26 TION OF A PAYMENT ORDER BY THE RECEIVING BANK IN BREACH OF
27 SECTION 4A302 RESULTS IN DELAY IN PAYMENT TO THE BENEFICIARY, THE

1 BANK IS OBLIGED TO PAY INTEREST TO EITHER THE ORIGINATOR OR THE
2 BENEFICIARY OF THE FUNDS TRANSFER FOR THE PERIOD OF DELAY CAUSED
3 BY THE IMPROPER EXECUTION. EXCEPT AS PROVIDED IN SUBSECTION (3),
4 ADDITIONAL DAMAGES ARE NOT RECOVERABLE.

5 (2) IF EXECUTION OF A PAYMENT ORDER BY A RECEIVING BANK IN
6 BREACH OF SECTION 4A302 RESULTS IN NONCOMPLETION OF THE FUNDS
7 TRANSFER, FAILURE TO USE AN INTERMEDIARY BANK DESIGNATED BY THE
8 ORIGINATOR, OR ISSUANCE OF A PAYMENT ORDER THAT DOES NOT COMPLY
9 WITH THE TERMS OF THE PAYMENT ORDER OF THE ORIGINATOR, THE BANK
10 IS LIABLE TO THE ORIGINATOR FOR ITS EXPENSES IN THE FUNDS TRANS-
11 FER AND FOR INCIDENTAL EXPENSES AND INTEREST LOSSES, TO THE
12 EXTENT NOT COVERED BY SUBSECTION (1), RESULTING FROM THE IMPROPER
13 EXECUTION. EXCEPT AS PROVIDED IN SUBSECTION (3), ADDITIONAL DAM-
14 AGES ARE NOT RECOVERABLE.

15 (3) IN ADDITION TO THE AMOUNTS PAYABLE UNDER SUBSECTIONS (1)
16 AND (2), DAMAGES, INCLUDING CONSEQUENTIAL DAMAGES, ARE RECOVER-
17 ABLE TO THE EXTENT PROVIDED IN AN EXPRESS WRITTEN AGREEMENT OF
18 THE RECEIVING BANK.

19 (4) IF A RECEIVING BANK FAILS TO EXECUTE A PAYMENT ORDER IT
20 WAS OBLIGED BY EXPRESS AGREEMENT TO EXECUTE, THE RECEIVING BANK
21 IS LIABLE TO THE SENDER FOR ITS EXPENSES IN THE TRANSACTION AND
22 FOR INCIDENTAL EXPENSES AND INTEREST LOSSES RESULTING FROM THE
23 FAILURE TO EXECUTE. ADDITIONAL DAMAGES, INCLUDING CONSEQUENTIAL
24 DAMAGES, ARE RECOVERABLE TO THE EXTENT PROVIDED IN AN EXPRESS
25 WRITTEN AGREEMENT OF THE RECEIVING BANK, BUT ARE NOT OTHERWISE
26 RECOVERABLE.

1 (5) REASONABLE ATTORNEY'S FEES ARE RECOVERABLE IF DEMAND FOR
2 COMPENSATION UNDER SUBSECTION (1) OR (2) IS MADE AND REFUSED
3 BEFORE AN ACTION IS BROUGHT ON THE CLAIM. IF A CLAIM IS MADE FOR
4 BREACH OF AN AGREEMENT UNDER SUBSECTION (4) AND THE AGREEMENT
5 DOES NOT PROVIDE FOR DAMAGES, REASONABLE ATTORNEY'S FEES ARE
6 RECOVERABLE IF DEMAND FOR COMPENSATION UNDER SUBSECTION (4) IS
7 MADE AND REFUSED BEFORE AN ACTION IS BROUGHT ON THE CLAIM.

8 (6) EXCEPT AS STATED IN THIS SECTION, THE LIABILITY OF A
9 RECEIVING BANK UNDER SUBSECTIONS (1) AND (2) MAY NOT BE VARIED BY
10 AGREEMENT.

11 PART 4. PAYMENT

12 SEC. 4A401. "PAYMENT DATE" OF A PAYMENT ORDER MEANS THE DAY
13 ON WHICH THE AMOUNT OF THE ORDER IS PAYABLE TO THE BENEFICIARY BY
14 THE BENEFICIARY'S BANK. THE PAYMENT DATE MAY BE DETERMINED BY
15 INSTRUCTION OF THE SENDER BUT CANNOT BE EARLIER THAN THE DAY THE
16 ORDER IS RECEIVED BY THE BENEFICIARY'S BANK AND, UNLESS OTHERWISE
17 DETERMINED, IS THE DAY THE ORDER IS RECEIVED BY THE BENEFICIARY'S
18 BANK.

19 SEC. 4A402. (1) THIS SECTION IS SUBJECT TO SECTIONS 4A205
20 AND 4A207.

21 (2) WITH RESPECT TO A PAYMENT ORDER ISSUED TO THE
22 BENEFICIARY'S BANK, ACCEPTANCE OF THE ORDER BY THE BANK OBLIGES
23 THE SENDER TO PAY THE BANK THE AMOUNT OF THE ORDER, BUT PAYMENT
24 IS NOT DUE UNTIL THE PAYMENT DATE OF THE ORDER.

25 (3) THIS SUBSECTION IS SUBJECT TO SUBSECTION (5) AND TO SEC-
26 TION 4A303. WITH RESPECT TO A PAYMENT ORDER ISSUED TO A
27 RECEIVING BANK OTHER THAN THE BENEFICIARY'S BANK, ACCEPTANCE OF

1 THE ORDER BY THE RECEIVING BANK OBLIGES THE SENDER TO PAY THE
2 BANK THE AMOUNT OF THE SENDER'S ORDER. PAYMENT BY THE SENDER IS
3 NOT DUE UNTIL THE EXECUTION DATE OF THE SENDER'S ORDER. THE
4 OBLIGATION OF THAT SENDER TO PAY ITS PAYMENT ORDER IS EXCUSED IF
5 THE FUNDS TRANSFER IS NOT COMPLETED BY ACCEPTANCE BY THE
6 BENEFICIARY'S BANK OF A PAYMENT ORDER INSTRUCTING PAYMENT TO THE
7 BENEFICIARY OF THAT SENDER'S PAYMENT ORDER.

8 (4) IF THE SENDER OF A PAYMENT ORDER PAYS THE ORDER AND WAS
9 NOT OBLIGED TO PAY ALL OR PART OF THE AMOUNT PAID, THE BANK
10 RECEIVING PAYMENT IS OBLIGED TO REFUND PAYMENT TO THE EXTENT THE
11 SENDER WAS NOT OBLIGED TO PAY. EXCEPT AS PROVIDED IN SECTIONS
12 4A204 AND 4A304, INTEREST IS PAYABLE ON THE REFUNDABLE AMOUNT
13 FROM THE DATE OF PAYMENT.

14 (5) IF A FUNDS TRANSFER IS NOT COMPLETED AS STATED IN SUB-
15 SECTION (3) AND AN INTERMEDIARY BANK IS OBLIGED TO REFUND PAYMENT
16 AS STATED IN SUBSECTION (4) BUT IS UNABLE TO DO SO BECAUSE NOT
17 PERMITTED BY APPLICABLE LAW OR BECAUSE THE BANK SUSPENDS PAY-
18 MENTS, A SENDER IN THE FUNDS TRANSFER THAT EXECUTED A PAYMENT
19 ORDER IN COMPLIANCE WITH AN INSTRUCTION, AS STATED IN SECTION
20 4A302(1)(A), TO ROUTE THE FUNDS TRANSFER THROUGH THAT INTERMEDI-
21 ARY BANK IS ENTITLED TO RECEIVE OR RETAIN PAYMENT FROM THE SENDER
22 OF THE PAYMENT ORDER THAT IT ACCEPTED. THE FIRST SENDER IN THE
23 FUNDS TRANSFER THAT ISSUED AN INSTRUCTION REQUIRING ROUTING
24 THROUGH THAT INTERMEDIARY BANK IS SUBROGATED TO THE RIGHT OF THE
25 BANK THAT PAID THE INTERMEDIARY BANK TO REFUND AS STATED IN SUB-
26 SECTION (4).

1 (6) THE RIGHT OF THE SENDER OF A PAYMENT ORDER TO BE EXCUSED
2 FROM THE OBLIGATION TO PAY THE ORDER AS STATED IN SUBSECTION (3)
3 OR TO RECEIVE REFUND UNDER SUBSECTION (4) MAY NOT BE VARIED BY
4 AGREEMENT.

5 SEC. 4A403. (1) PAYMENT OF THE SENDER'S OBLIGATION UNDER
6 SECTION 4A402 TO PAY THE RECEIVING BANK OCCURS AS FOLLOWS:

7 (A) IF THE SENDER IS A BANK, PAYMENT OCCURS WHEN THE RECEIV-
8 ING BANK RECEIVES FINAL SETTLEMENT OF THE OBLIGATION THROUGH A
9 FEDERAL RESERVE BANK OR THROUGH A FUNDS-TRANSFER SYSTEM.

10 (B) IF THE SENDER IS A BANK AND THE SENDER (i) CREDITED AN
11 ACCOUNT OF THE RECEIVING BANK WITH THE SENDER, OR (ii) CAUSED AN
12 ACCOUNT OF THE RECEIVING BANK IN ANOTHER BANK TO BE CREDITED,
13 PAYMENT OCCURS WHEN THE CREDIT IS WITHDRAWN OR, IF NOT WITHDRAWN,
14 AT MIDNIGHT OF THE DAY ON WHICH THE CREDIT IS WITHDRAWABLE AND
15 THE RECEIVING BANK LEARNS OF THAT FACT.

16 (C) IF THE RECEIVING BANK DEBITS AN ACCOUNT OF THE SENDER
17 WITH THE RECEIVING BANK, PAYMENT OCCURS WHEN THE DEBIT IS MADE TO
18 THE EXTENT THE DEBIT IS COVERED BY A WITHDRAWABLE CREDIT BALANCE
19 IN THE ACCOUNT.

20 (2) IF THE SENDER AND RECEIVING BANK ARE MEMBERS OF A
21 FUNDS-TRANSFER SYSTEM THAT NETS OBLIGATIONS MULTILATERALLY AMOUNT
22 PARTICIPANTS, THE RECEIVING BANK RECEIVES FINAL SETTLEMENT WHEN
23 SETTLEMENT IS COMPLETE IN ACCORDANCE WITH THE RULES OF THE
24 SYSTEM. THE OBLIGATION OF THE SENDER TO PAY THE AMOUNT OF A PAY-
25 MENT ORDER TRANSMITTED THROUGH THE FUNDS-TRANSFER SYSTEM MAY BE
26 SATISFIED, TO THE EXTENT PERMITTED BY THE RULES OF THE SYSTEM, BY
27 SETTING OFF AND APPLYING AGAINST THE SENDER'S OBLIGATION THE

1 RIGHT OF THE SENDER TO RECEIVE PAYMENT FROM THE RECEIVING BANK OF
2 THE AMOUNT OF ANY OTHER PAYMENT ORDER TRANSMITTED TO THE SENDER
3 BY THE RECEIVING BANK THROUGH THE FUNDS-TRANSFER SYSTEM. THE
4 AGGREGATE BALANCE OF OBLIGATIONS OWED BY EACH SENDER TO EACH
5 RECEIVING BANK IN THE FUNDS-TRANSFER SYSTEM MAY BE SATISFIED, TO
6 THE EXTENT PERMITTED BY THE RULES OF THE SYSTEM, BY SETTING OFF
7 AND APPLYING AGAINST THAT BALANCE THE AGGREGATE BALANCE OF OBLI-
8 GATIONS OWED TO THE SENDER BY OTHER MEMBERS OF THE SYSTEM. THE
9 AGGREGATE BALANCE IS DETERMINED AFTER THE RIGHT OF SETOFF STATED
10 IN THE SECOND SENTENCE OF THIS SUBSECTION HAS BEEN EXERCISED.

11 (3) IF 2 BANKS TRANSMIT PAYMENT ORDERS TO EACH OTHER UNDER
12 AN AGREEMENT THAT SETTLEMENT OF THE OBLIGATIONS OF EACH BANK TO
13 THE OTHER UNDER SECTION 4A402 WILL BE MADE AT THE END OF THE DAY
14 OR OTHER PERIOD, THE TOTAL AMOUNT OWED WITH RESPECT TO ALL ORDERS
15 TRANSMITTED BY 1 BANK SHALL BE SET OFF AGAINST THE TOTAL AMOUNT
16 OWED WITH RESPECT TO ALL ORDERS TRANSMITTED BY THE OTHER BANK.
17 TO THE EXTENT OF THE SETOFF, EACH BANK HAS MADE PAYMENT TO THE
18 OTHER.

19 (4) IN A CASE NOT COVERED BY SUBSECTION (1), THE TIME WHEN
20 PAYMENT OF THE SENDER'S OBLIGATION UNDER SECTION 4A402(2) OR (3)
21 OCCURS IS GOVERNED BY APPLICABLE PRINCIPLES OF LAW THAT DETERMINE
22 WHEN AN OBLIGATION IS SATISFIED.

23 SEC. 4A404. (1) SUBJECT TO SECTIONS 4A211(5), 4A405(4), AND
24 4A405(5), IF A BENEFICIARY'S BANK ACCEPTS A PAYMENT ORDER, THE
25 BANK IS OBLIGED TO PAY THE AMOUNT OF THE ORDER TO THE BENEFICIARY
26 OF THE ORDER. PAYMENT IS DUE ON THE PAYMENT DATE OF THE ORDER,
27 BUT IF ACCEPTANCE OCCURS ON THE PAYMENT DATE AFTER THE CLOSE OF

1 THE FUNDS-TRANSFER BUSINESS DAY OF THE BANK, PAYMENT IS DUE ON
2 THE NEXT FUNDS-TRANSFER BUSINESS DAY. IF THE BANK REFUSES TO PAY
3 AFTER DEMAND BY THE BENEFICIARY AND RECEIPT OF NOTICE OF PARTICU-
4 LAR CIRCUMSTANCES THAT WILL GIVE RISE TO CONSEQUENTIAL DAMAGES AS
5 A RESULT OF NONPAYMENT, THE BENEFICIARY MAY RECOVER DAMAGES
6 RESULTING FROM THE REFUSAL TO PAY TO THE EXTENT THE BANK HAD
7 NOTICE OF THE DAMAGES, UNLESS THE BANK PROVES THAT IT DID NOT PAY
8 BECAUSE OF A REASONABLE DOUBT CONCERNING THE RIGHT OF THE BENEFI-
9 CIARY TO PAYMENT.

10 (2) IF A PAYMENT ORDER ACCEPTED BY THE BENEFICIARY'S BANK
11 INSTRUCTS PAYMENT TO AN ACCOUNT OF THE BENEFICIARY, THE BANK IS
12 OBLIGED TO NOTIFY THE BENEFICIARY OF RECEIPT OF THE ORDER BEFORE
13 MIDNIGHT OF THE NEXT FUNDS-TRANSFER BUSINESS DAY FOLLOWING THE
14 PAYMENT DATE. IF THE PAYMENT ORDER DOES NOT INSTRUCT PAYMENT TO
15 AN ACCOUNT OF THE BENEFICIARY, THE BANK IS REQUIRED TO NOTIFY THE
16 BENEFICIARY ONLY IF NOTICE IS REQUIRED BY THE ORDER. NOTICE MAY
17 BE GIVEN BY FIRST-CLASS MAIL OR ANY OTHER MEANS REASONABLE IN THE
18 CIRCUMSTANCES. IF THE BANK FAILS TO GIVE THE REQUIRED NOTICE,
19 THE BANK IS OBLIGED TO PAY INTEREST TO THE BENEFICIARY ON THE
20 AMOUNT OF THE PAYMENT ORDER FROM THE DAY NOTICE SHOULD HAVE BEEN
21 GIVEN UNTIL THE DAY THE BENEFICIARY LEARNED OF RECEIPT OF THE
22 PAYMENT ORDER BY THE BANK. NO OTHER DAMAGES ARE RECOVERABLE.
23 REASONABLE ATTORNEY'S FEES ARE ALSO RECOVERABLE IF DEMAND FOR
24 INTEREST IS MADE AND REFUSED BEFORE AN ACTION IS BROUGHT ON THE
25 CLAIM.

26 (3) THE RIGHT OF A BENEFICIARY TO RECEIVE PAYMENT AND
27 DAMAGES AS STATED IN SUBSECTION (1) MAY NOT BE VARIED BY

1 AGREEMENT OR A FUNDS-TRANSFER SYSTEM RULE. THE RIGHT OF A
2 BENEFICIARY TO BE NOTIFIED AS STATED IN SUBSECTION (2) MAY BE
3 VARIED BY AGREEMENT OF THE BENEFICIARY OR BY A FUNDS-TRANSFER
4 SYSTEM RULE IF THE BENEFICIARY IS NOTIFIED OF THE RULE BEFORE
5 INITIATION OF THE FUNDS TRANSFER.

6 SEC. 4A405. (1) IF THE BENEFICIARY'S BANK CREDITS AN
7 ACCOUNT OF THE BENEFICIARY OF A PAYMENT ORDER, PAYMENT OF THE
8 BANK'S OBLIGATION UNDER SECTION 4A404(1) OCCURS WHEN AND TO THE
9 EXTENT (i) THE BENEFICIARY IS NOTIFIED OF THE RIGHT TO WITHDRAW
10 THE CREDIT, (ii) THE BANK LAWFULLY APPLIES THE CREDIT TO A DEBT
11 OF THE BENEFICIARY, OR (iii) FUNDS WITH RESPECT TO THE ORDER ARE
12 OTHERWISE MADE AVAILABLE TO THE BENEFICIARY BY THE BANK.

13 (2) IF THE BENEFICIARY'S BANK DOES NOT CREDIT AN ACCOUNT OF
14 THE BENEFICIARY OF A PAYMENT ORDER, THE TIME WHEN PAYMENT OF THE
15 BANK'S OBLIGATION UNDER SECTION 4A404(1) OCCURS IS GOVERNED BY
16 PRINCIPLES OF LAW THAT DETERMINE WHEN AN OBLIGATION IS
17 SATISFIED.

18 (3) EXCEPT AS STATED IN SUBSECTIONS (4) AND (5), IF THE
19 BENEFICIARY'S BANK PAYS THE BENEFICIARY OF A PAYMENT ORDER UNDER
20 A CONDITION TO PAYMENT OR AGREEMENT OF THE BENEFICIARY GIVING THE
21 BANK THE RIGHT TO RECOVER PAYMENT FROM THE BENEFICIARY IF THE
22 BANK DOES NOT RECEIVE PAYMENT OF THE ORDER, THE CONDITION TO PAY-
23 MENT OR AGREEMENT IS NOT ENFORCEABLE.

24 (4) A FUNDS-TRANSFER SYSTEM RULE MAY PROVIDE THAT PAYMENTS
25 MADE TO BENEFICIARIES OF FUNDS TRANSFERS MADE THROUGH THE SYSTEM
26 ARE PROVISIONAL UNTIL RECEIPT OF PAYMENT BY THE BENEFICIARY'S
27 BANK OF THE PAYMENT ORDER IS ACCEPTED. A BENEFICIARY'S BANK THAT

1 MAKES A PAYMENT THAT IS PROVISIONAL UNDER THE RULE IS ENTITLED TO
2 REFUND FROM THE BENEFICIARY IF (i) THE RULE REQUIRES THAT BOTH
3 THE BENEFICIARY AND THE ORIGINATOR BE GIVEN NOTICE OF THE PROVI-
4 SIONAL NATURE OF THE PAYMENT BEFORE THE FUNDS TRANSFER IS INITI-
5 ATED, (ii) THE BENEFICIARY, THE BENEFICIARY'S BANK, AND THE
6 ORIGINATOR'S BANK AGREED TO BE BOUND BY THE RULE, AND (iii) THE
7 BENEFICIARY'S BANK DID NOT RECEIVE PAYMENT OF THE PAYMENT ORDER
8 THAT IT ACCEPTED. IF THE BENEFICIARY IS OBLIGED TO REFUND PAY-
9 MENT TO THE BENEFICIARY'S BANK, ACCEPTANCE OF THE PAYMENT ORDER
10 BY THE BENEFICIARY'S BANK IS NULLIFIED AND NO PAYMENT BY THE
11 ORIGINATOR OF THE FUNDS TRANSFER TO THE BENEFICIARY OCCURS UNDER
12 SECTION 4A406.

13 (5) THIS SUBSECTION APPLIES TO THE FUNDS TRANSFER THAT
14 INCLUDES A PAYMENT ORDER TRANSMITTED OVER A FUNDS-TRANSFER SYSTEM
15 THAT (i) NETS OBLIGATIONS MULTILATERALLY AMONG PARTICIPANTS, AND
16 (ii) HAS IN EFFECT A LOSS-SHARING AGREEMENT AMONG PARTICIPANTS
17 FOR THE PURPOSE OF PROVIDING FUNDS NECESSARY TO COMPLETE SETTLE-
18 MENT OF THE OBLIGATIONS OF 1 OR MORE PARTICIPANTS THAT DO NOT
19 MEET THEIR SETTLEMENT OBLIGATIONS. IF THE BENEFICIARY'S BANK IN
20 THE FUNDS TRANSFER ACCEPTS A PAYMENT ORDER AND THE SYSTEM FAILS
21 TO COMPLETE SETTLEMENT PURSUANT TO ITS RULES WITH RESPECT TO ANY
22 PAYMENT ORDER IN THE FUNDS TRANSFER, (i) THE ACCEPTANCE BY THE
23 BENEFICIARY'S BANK IS NULLIFIED AND NO PERSON HAS ANY RIGHT OR
24 OBLIGATION BASED ON THE ACCEPTANCE, (ii) THE BENEFICIARY'S BANK
25 IS ENTITLED TO RECOVER PAYMENT FROM THE BENEFICIARY, (iii) NO
26 PAYMENT BY THE ORIGINATOR TO THE BENEFICIARY OCCURS UNDER SECTION
27 4A406, AND (iv) SUBJECT TO SECTION 4A402(5), EACH SENDER IN THE

1 FUNDS TRANSFER IS EXCUSED FROM ITS OBLIGATION TO PAY ITS PAYMENT
2 ORDER UNDER SECTION 4A402(3) BECAUSE THE FUNDS TRANSFER HAS NOT
3 BEEN COMPLETED.

4 SEC. 4A406. (1) SUBJECT TO SECTIONS 4A211(5), 4A405(4), AND
5 4A405(5), THE ORIGINATOR OF A FUNDS TRANSFER PAYS THE BENEFICIARY
6 OF THE ORIGINATOR'S PAYMENT ORDER (i) AT THE TIME A PAYMENT ORDER
7 FOR THE BENEFIT OF THE BENEFICIARY IS ACCEPTED BY THE
8 BENEFICIARY'S BANK IN THE FUNDS TRANSFER AND (ii) IN AN AMOUNT
9 EQUAL TO THE AMOUNT OF THE ORDER ACCEPTED BY THE BENEFICIARY'S
10 BANK, BUT NOT MORE THAN THE AMOUNT OF THE ORIGINATOR'S ORDER.

11 (2) IF PAYMENT UNDER SUBSECTION (1) IS MADE TO SATISFY AN
12 OBLIGATION, THE OBLIGATION IS DISCHARGED TO THE SAME EXTENT DIS-
13 CHARGE WOULD RESULT FROM PAYMENT TO THE BENEFICIARY OF THE SAME
14 AMOUNT IN MONEY, UNLESS (i) THE PAYMENT UNDER SUBSECTION (1) WAS
15 MADE BY A MEANS PROHIBITED BY THE CONTRACT OF THE BENEFICIARY
16 WITH RESPECT TO THE OBLIGATION, (ii) THE BENEFICIARY, WITHIN A
17 REASONABLE TIME AFTER RECEIVING NOTICE OF RECEIPT OF THE ORDER BY
18 THE BENEFICIARY'S BANK, NOTIFIED THE ORIGINATOR OF THE
19 BENEFICIARY'S REFUSAL OF THE PAYMENT, (iii) FUNDS WITH RESPECT TO
20 THE ORDER WERE NOT WITHDRAWN BY THE BENEFICIARY OR APPLIED TO A
21 DEBT OF THE BENEFICIARY, AND (iv) THE BENEFICIARY WOULD SUFFER A
22 LOSS THAT COULD REASONABLY HAVE BEEN AVOIDED IF PAYMENT HAD BEEN
23 MADE BY A MEANS COMPLYING WITH THE CONTRACT. IF PAYMENT BY THE
24 ORIGINATOR DOES NOT RESULT IN DISCHARGE UNDER THIS SECTION, THE
25 ORIGINATOR IS SUBROGATED TO THE RIGHTS OF THE BENEFICIARY TO
26 RECEIVE PAYMENT FROM THE BENEFICIARY'S BANK UNDER SECTION
27 4A404(1).

1 (3) FOR THE PURPOSE OF DETERMINING WHETHER DISCHARGE OF AN
2 OBLIGATION OCCURS UNDER SUBSECTION (2), IF THE BENEFICIARY'S BANK
3 ACCEPTS A PAYMENT ORDER IN AN AMOUNT EQUAL TO THE AMOUNT OF THE
4 ORIGINATOR'S PAYMENT ORDER LESS CHARGES OF 1 OR MORE RECEIVING
5 BANKS IN THE FUNDS TRANSFER, PAYMENT TO THE BENEFICIARY IS DEEMED
6 TO BE IN THE AMOUNT OF THE ORIGINATOR'S ORDER UNLESS UPON DEMAND
7 BY THE BENEFICIARY THE ORIGINATOR DOES NOT PAY THE BENEFICIARY
8 THE AMOUNT OF THE DEDUCTED CHARGES.

9 (4) RIGHTS OF THE ORIGINATOR OR OF THE BENEFICIARY OF A
10 FUNDS TRANSFER UNDER THIS SECTION MAY BE VARIED ONLY BY AGREEMENT
11 OF THE ORIGINATOR AND THE BENEFICIARY.

12 PART 5. MISCELLANEOUS PROVISIONS

13 SEC. 4A501. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS ARTI-
14 CLE, THE RIGHTS AND OBLIGATIONS OF A PARTY TO A FUNDS TRANSFER
15 MAY BE VARIED BY AGREEMENT OF THE AFFECTED PARTY.

16 (2) "FUNDS-TRANSFER SYSTEM RULE" MEANS A RULE OF AN ASSOCIA-
17 TION OF BANKS (i) GOVERNING TRANSMISSION OF PAYMENT ORDERS BY
18 MEANS OF A FUNDS-TRANSFER SYSTEM OF THE ASSOCIATION OR RIGHTS AND
19 OBLIGATIONS WITH RESPECT TO THOSE ORDERS, OR (ii) TO THE EXTENT
20 THE RULE GOVERNS RIGHTS AND OBLIGATIONS BETWEEN BANKS THAT ARE
21 PARTIES TO A FUNDS TRANSFER IN WHICH A FEDERAL RESERVE BANK,
22 ACTING AS AN INTERMEDIARY BANK, SENDS A PAYMENT ORDER TO THE
23 BENEFICIARY'S BANK. EXCEPT AS OTHERWISE PROVIDED IN THIS ARTI-
24 CLE, A FUNDS-TRANSFER SYSTEM RULE GOVERNING RIGHTS AND OBLIGA-
25 TIONS BETWEEN PARTICIPATING BANKS USING THE SYSTEM MAY BE EFFEC-
26 TIVE EVEN IF THE RULE CONFLICTS WITH THIS ARTICLE AND INDIRECTLY
27 AFFECTS ANOTHER PARTY TO THE FUNDS TRANSFER WHO DOES NOT CONSENT

1 TO THE RULE. A FUNDS-TRANSFER SYSTEM RULE MAY ALSO GOVERN RIGHTS
2 AND OBLIGATIONS OF PARTIES OTHER THAN PARTICIPATING BANKS USING
3 THE SYSTEM TO THE EXTENT STATED IN SECTIONS 4A404(3), 4A405(4),
4 AND 4A507(3).

5 SEC. 4A502. (1) AS USED IN THIS SECTION, "CREDITOR PROCESS"
6 MEANS LEVY, ATTACHMENT, GARNISHMENT, NOTICE OF LIEN, SEQUESTRA-
7 TION, OR SIMILAR PROCESS ISSUED BY OR ON BEHALF OF A CREDITOR OR
8 OTHER CLAIMANT WITH RESPECT TO AN ACCOUNT.

9 (2) THIS SUBSECTION APPLIES TO CREDITOR PROCESS WITH RESPECT
10 TO AN AUTHORIZED ACCOUNT OF THE SENDER OF A PAYMENT ORDER IF THE
11 CREDITOR PROCESS IS SERVED ON THE RECEIVING BANK. FOR THE PUR-
12 POSE OF DETERMINING RIGHTS WITH RESPECT TO THE CREDITOR PROCESS,
13 IF THE RECEIVING BANK ACCEPTS THAT PAYMENT ORDER THE BALANCE IN
14 THE AUTHORIZED ACCOUNT IS DEEMED TO BE REDUCED BY THE AMOUNT OF
15 THE PAYMENT ORDER TO THE EXTENT THE BANK DID NOT OTHERWISE
16 RECEIVE PAYMENT OF THE ORDER, UNLESS THE CREDITOR PROCESS IS
17 SERVED AT A TIME AND IN A MANNER AFFORDING THE BANK A REASONABLE
18 OPPORTUNITY TO ACT ON IT BEFORE THE BANK ACCEPTS THE PAYMENT
19 ORDER.

20 (3) IF A BENEFICIARY'S BANK HAS RECEIVED A PAYMENT ORDER FOR
21 PAYMENT TO THE BENEFICIARY'S ACCOUNT IN THE BANK, THE FOLLOWING
22 RULES APPLY:

23 (A) THE BANK MAY CREDIT THE BENEFICIARY'S ACCOUNT. THE
24 AMOUNT CREDITED MAY BE SET OFF AGAINST AN OBLIGATION OWED BY THE
25 BENEFICIARY TO THE BANK OR MAY BE APPLIED TO SATISFY CREDITOR
26 PROCESS SERVED ON THE BANK WITH RESPECT TO THE ACCOUNT.

1 (B) THE BANK MAY CREDIT THE BENEFICIARY'S ACCOUNT AND ALLOW
2 WITHDRAWAL OF THE AMOUNT CREDITED UNLESS CREDITOR PROCESS WITH
3 RESPECT TO THE ACCOUNT IS SERVED AT A TIME AND IN A MANNER
4 AFFORDING THE BANK A REASONABLE OPPORTUNITY TO ACT TO PREVENT
5 WITHDRAWAL.

6 (C) IF CREDITOR PROCESS WITH RESPECT TO THE BENEFICIARY'S
7 ACCOUNT HAS BEEN SERVED AND THE BANK HAS HAD A REASONABLE OPPOR-
8 TUNITY TO ACT ON IT, THE BANK MAY NOT REJECT THE PAYMENT ORDER
9 EXCEPT FOR A REASON UNRELATED TO THE SERVICE OF PROCESS.

10 (4) CREDITOR PROCESS WITH RESPECT TO A PAYMENT BY THE ORIGI-
11 NATOR TO THE BENEFICIARY PURSUANT TO A FUNDS TRANSFER MAY BE
12 SERVED ONLY ON THE BENEFICIARY'S BANK WITH RESPECT TO THE DEBT
13 OWED BY THAT BANK TO THE BENEFICIARY. ANY OTHER BANK SERVED WITH
14 THE CREDITOR PROCESS IS NOT OBLIGED TO ACT WITH RESPECT TO THE
15 PROCESS.

16 SEC. 4A503. FOR PROPER CAUSE AND IN COMPLIANCE WITH APPLI-
17 CABLE LAW, A COURT MAY RESTRAIN (i) A PERSON FROM ISSUING A PAY-
18 MENT ORDER TO INITIATE A FUNDS TRANSFER, (ii) AN ORIGINATOR'S
19 BANK FROM EXECUTING THE PAYMENT ORDER OF THE ORIGINATOR, OR (iii)
20 THE BENEFICIARY'S BANK FROM RELEASING FUNDS TO THE BENEFICIARY OR
21 THE BENEFICIARY FROM WITHDRAWING THE FUNDS. A COURT MAY NOT OTH-
22 ERWISE RESTRAIN A PERSON FROM ISSUING A PAYMENT ORDER, PAYING OR
23 RECEIVING PAYMENT OF A PAYMENT ORDER, OR OTHERWISE ACTING WITH
24 RESPECT TO A FUNDS TRANSFER.

25 SEC. 4A504. (1) IF A RECEIVING BANK HAS RECEIVED MORE THAN
26 1 PAYMENT ORDER OF THE SENDER OR 1 OR MORE PAYMENT ORDERS AND
27 OTHER ITEMS THAT ARE PAYABLE FROM THE SENDER'S ACCOUNT, THE BANK

1 MAY CHARGE THE SENDER'S ACCOUNT WITH RESPECT TO THE VARIOUS
2 ORDERS AND ITEMS IN ANY SEQUENCE.

3 (2) IN DETERMINING WHETHER A CREDIT TO AN ACCOUNT HAS BEEN
4 WITHDRAWN BY THE HOLDER OF THE ACCOUNT OR APPLIED TO A DEBT OF
5 THE HOLDER OF THE ACCOUNT, CREDITS FIRST MADE TO THE ACCOUNT ARE
6 FIRST WITHDRAWN OR APPLIED.

7 SEC. 4A505. IF A RECEIVING BANK HAS RECEIVED PAYMENT FROM
8 ITS CUSTOMER WITH RESPECT TO A PAYMENT ORDER ISSUED IN THE NAME
9 OF THE CUSTOMER AS SENDER AND ACCEPTED BY THE BANK, AND THE CUS-
10 TOMER RECEIVED NOTIFICATION REASONABLY IDENTIFYING THE ORDER, THE
11 CUSTOMER IS PRECLUDED FROM ASSERTING THAT THE BANK IS NOT ENTI-
12 TLED TO RETAIN THE PAYMENT UNLESS THE CUSTOMER NOTIFIES THE BANK
13 OF THE CUSTOMER'S OBJECTION TO THE PAYMENT WITHIN 1 YEAR AFTER
14 THE NOTIFICATION WAS RECEIVED BY THE CUSTOMER.

15 SEC. 4A506. (1) IF, UNDER THIS ARTICLE, A RECEIVING BANK IS
16 OBLIGED TO PAY INTEREST WITH RESPECT TO A PAYMENT ORDER ISSUED TO
17 THE BANK, THE AMOUNT PAYABLE MAY BE DETERMINED (i) BY AGREEMENT
18 OF THE SENDER AND RECEIVING BANK, OR (ii) BY A FUNDS-TRANSFER
19 SYSTEM RULE IF THE PAYMENT ORDER IS TRANSMITTED THROUGH A
20 FUNDS-TRANSFER SYSTEM.

21 (2) IF THE AMOUNT OF INTEREST IS NOT DETERMINED BY AN AGREE-
22 MENT OR RULE AS STATED IN SUBSECTION (1), THE AMOUNT IS CALCU-
23 LATED BY MULTIPLYING THE APPLICABLE FEDERAL FUNDS RATE BY THE
24 AMOUNT ON WHICH INTEREST IS PAYABLE, AND THEN MULTIPLYING THE
25 PRODUCT BY THE NUMBER OF DAYS FOR WHICH INTEREST IS PAYABLE. THE
26 APPLICABLE FEDERAL FUNDS RATE IS THE AVERAGE OF THE FEDERAL FUNDS
27 RATES PUBLISHED BY THE FEDERAL RESERVE BANK OF NEW YORK FOR EACH

1 OF THE DAYS FOR WHICH INTEREST IS PAYABLE DIVIDED BY 360. THE
2 FEDERAL FUNDS RATE FOR ANY DAY ON WHICH A PUBLISHED RATE IS NOT
3 AVAILABLE IS THE SAME AS THE PUBLISHED RATE FOR THE NEXT PRECED-
4 ING DAY FOR WHICH THERE IS A PUBLISHED RATE. IF A RECEIVING BANK
5 THAT ACCEPTED A PAYMENT ORDER IS REQUIRED TO REFUND PAYMENT TO
6 THE SENDER OF THE ORDER BECAUSE THE FUNDS TRANSFER WAS NOT COM-
7 PLETED, BUT THE FAILURE TO COMPLETE WAS NOT DUE TO ANY FAULT BY
8 THE BANK, THE INTEREST PAYABLE IS REDUCED BY A PERCENTAGE EQUAL
9 TO THE RESERVE REQUIREMENT ON DEPOSITS OF THE RECEIVING BANK.

10 SEC. 4A507. (1) THE FOLLOWING RULES APPLY UNLESS THE
11 AFFECTED PARTIES OTHERWISE AGREE OR SUBSECTION (3) APPLIES:

12 (A) THE RIGHTS AND OBLIGATIONS BETWEEN THE SENDER OF A PAY-
13 MENT ORDER AND THE RECEIVING BANK ARE GOVERNED BY THE LAW OF THE
14 JURISDICTION IN WHICH THE RECEIVING BANK IS LOCATED.

15 (B) THE RIGHTS AND OBLIGATIONS BETWEEN THE BENEFICIARY'S
16 BANK AND THE BENEFICIARY ARE GOVERNED BY THE LAW OF THE JURISDIC-
17 TION IN WHICH THE BENEFICIARY'S BANK IS LOCATED.

18 (C) THE ISSUE OF WHEN PAYMENT IS MADE PURSUANT TO A FUNDS
19 TRANSFER BY THE ORIGINATOR TO THE BENEFICIARY IS GOVERNED BY THE
20 LAW OF THE JURISDICTION IN WHICH THE BENEFICIARY'S BANK IS
21 LOCATED.

22 (2) IF THE PARTIES DESCRIBED IN EACH SUBDIVISION OF SUBSEC-
23 TION (1) HAVE MADE AN AGREEMENT SELECTING THE LAW OF A PARTICULAR
24 JURISDICTION TO GOVERN RIGHTS AND OBLIGATIONS BETWEEN EACH OTHER,
25 THE LAW OF THAT JURISDICTION GOVERNS THOSE RIGHTS AND OBLIGA-
26 TIONS, WHETHER OR NOT THE PAYMENT ORDER OR THE FUNDS TRANSFER
27 BEARS A REASONABLE RELATION TO THAT JURISDICTION.

1 (3) A FUNDS-TRANSFER SYSTEM RULE MAY SELECT THE LAW OF A
2 PARTICULAR JURISDICTION TO GOVERN (i) RIGHTS AND OBLIGATIONS
3 BETWEEN PARTICIPATING BANKS WITH RESPECT TO PAYMENT ORDERS TRANS-
4 MITTED OR PROCESSED THROUGH THE SYSTEM, OR (ii) THE RIGHTS AND
5 OBLIGATIONS OF SOME OR ALL PARTIES TO A FUNDS TRANSFER ANY PART
6 OF WHICH IS CARRIED OUT BY MEANS OF THE SYSTEM. A CHOICE OF LAW
7 MADE PURSUANT TO CLAUSE (i) IS BINDING ON PARTICIPATING BANKS. A
8 CHOICE OF LAW MADE PURSUANT TO CLAUSE (ii) IS BINDING ON THE
9 ORIGINATOR, OTHER SENDER, OR A RECEIVING BANK HAVING NOTICE THAT
10 THE FUNDS-TRANSFER SYSTEM MIGHT BE USED IN THE FUNDS TRANSFER AND
11 OF THE CHOICE OF LAW BY THE SYSTEM WHEN THE ORIGINATOR, OTHER
12 SENDER, OR RECEIVING BANK ISSUED OR ACCEPTED A PAYMENT ORDER.
13 THE BENEFICIARY OF A FUNDS TRANSFER IS BOUND BY THE CHOICE OF LAW
14 IF, WHEN THE FUNDS TRANSFER IS INITIATED, THE BENEFICIARY HAS
15 NOTICE THAT THE FUNDS-TRANSFER SYSTEM MIGHT BE USED IN THE FUNDS
16 TRANSFER AND OF THE CHOICE OF LAW BY THE SYSTEM. THE LAW OF A
17 JURISDICTION SELECTED PURSUANT TO THIS SUBSECTION MAY GOVERN,
18 WHETHER OR NOT THAT LAW BEARS A REASONABLE RELATION TO THE MATTER
19 IN ISSUE.

20 (4) IN THE EVENT OF INCONSISTENCY BETWEEN AN AGREEMENT UNDER
21 SUBSECTION (2) AND A CHOICE-OF-LAW RULE UNDER SUBSECTION (3), THE
22 AGREEMENT UNDER SUBSECTION (2) PREVAILS.

23 (5) IF A FUNDS TRANSFER IS MADE BY USE OF MORE THAN 1
24 FUNDS-TRANSFER SYSTEM AND THERE IS INCONSISTENCY BETWEEN
25 CHOICE-OF-LAW RULES OF THE SYSTEMS, THE MATTER IN ISSUE IS GOV-
26 ERNED BY THE LAW OF THE SELECTED JURISDICTION THAT HAS THE MOST
27 SIGNIFICANT RELATIONSHIP TO THE MATTER IN ISSUE.