

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5327 (Substitute S-1 as reported)

Sponsor: Representative Andrew Richner

House Committee: Commerce

Senate Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the Uniform Commercial Code to rewrite Article 5, which governs letters of credit. The bill would do the following:

- Provide that a letter of credit could be issued in any form that was a record.
- Define "record" without reference to a written document (i.e., "information that is inscribed on a tangible medium, or that is stored in an electronic or other medium and is retrievable in perceivable form").
- Specify that the issuer of a letter of credit (e.g., a bank) would have to honor a presentation that, as determined by the standard practice, appeared to comply strictly with the terms and conditions of the letter of credit. ("Presentation" would refer to delivery of a document to an issuer for honor or giving of value under a letter of credit.)
- Provide that an issuer would have a reasonable time, but not more than seven business days after receiving documents, to 1) honor (pay or deliver an item of value); 2) accept a draft or incur a deferred obligation, if the letter of credit provided for honor to be completed more than seven business days after presentation; or 3) give notice to the presenter of discrepancies in the presentation.
- Require an issuer to notify a beneficiary of discrepancies.
- Require an issuer to observe standard practice of financial institutions that regularly issue letters of credit.
- Provide that a prevailing party would be entitled to recover attorney's fees and other expenses of litigation.

"Letter of credit" would mean "a definite undertaking...by an issuer to a beneficiary at the request or for the account of an applicant or, in the case of a financial institution, to itself or for its own account, to honor a documentary presentation by payment or delivery of an item of value".

MCL 440.1105 et al.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 11-19-98

Fiscal Analyst: M. Tyszkiewicz