

TITLE 28
COMMERCIAL TRANSACTIONS

CHAPTER 4
UNIFORM COMMERCIAL CODE -- BANK DEPOSITS AND COLLECTIONS

PART 1.
GENERAL PROVISIONS AND DEFINITIONS

28-4-101. SHORT TITLE. This chapter may be cited as Uniform Commercial Code -- Bank Deposits and Collections.

[28-4-101, added 1967, ch. 161, sec. 4-101, p. 351; am. 1993, ch. 288, sec. 3, p. 1053.]

28-4-102. APPLICABILITY. (1) To the extent that items within this chapter are also within chapters 3 and 8, they are subject to the provisions of those chapters. If there is conflict, the provisions of this chapter govern those of chapter 3, but the provisions of chapter 8 govern those of this chapter.

(2) The liability of a bank for action or nonaction with respect to an item handled by it for purposes of presentment, payment or collection is governed by the law of the place where the bank is located. In the case of action or nonaction by or at a branch or separate office of a bank, its liability is governed by the law of the place where the branch or separate office is located.

[28-4-102, added 1967, ch. 161, sec. 4-102, p. 351; am. 1993, ch. 288, sec. 4, p. 1053.]

28-4-103. VARIATION BY AGREEMENT -- MEASURE OF DAMAGES -- CERTAIN ACTION CONSTITUTING ORDINARY CARE. (1) The effect of the provisions of this chapter may be varied by agreement, but the parties to the agreement cannot disclaim a bank's responsibility for its lack of good faith or failure to exercise ordinary care, or limit the measure of damages for the lack or failure. However, the parties may determine by agreement the standards by which the bank's responsibility is to be measured if those standards are not manifestly unreasonable.

(2) Federal reserve regulations and operating circulars, clearing-house rules, and the like have the effect of agreements under subsection (1) of this section, whether or not specifically assented to by all parties interested in items handled.

(3) Action or nonaction approved by this chapter or pursuant to federal reserve regulations or operating circulars is the exercise of ordinary care and, in the absence of special instructions, action or nonaction consistent with clearing-house rules and the like or with a general banking usage not disapproved by this chapter, is prima facie the exercise of ordinary care.

(4) The specification or approval of certain procedures by this chapter is not disapproval of other procedures that may be reasonable under the circumstances.

(5) The measure of damages for failure to exercise ordinary care in handling an item is the amount of the item reduced by an amount that could not have been realized by the exercise of ordinary care. If there is also bad

faith it includes any other damages the party suffered as a proximate consequence.

[28-4-103, added 1967, ch. 161, sec. 4-103, p. 351; am. 1993, ch. 288, sec. 5, p. 1053.]

28-4-104. DEFINITIONS AND INDEX OF DEFINITIONS. (1) In this chapter, unless the context otherwise requires:

- (a) "Account" means any deposit or credit account with a bank, including a demand, time, savings, passbook, share draft, or like account, other than an account evidenced by a certificate of deposit;
- (b) "Afternoon" means the period of a day between noon and midnight;
- (c) "Banking day" means the part of a day on which a bank is open to the public for carrying on substantially all of its banking functions;
- (d) "Clearing house" means an association of banks or other payors regularly clearing items;
- (e) "Customer" means any person having an account with a bank or for whom a bank has agreed to collect items, including a bank that maintains an account at another bank;
- (f) "Documentary draft" means a draft to be presented for acceptance or payment if specified documents, certificated securities (section [28-8-102](#)) or instructions for uncertificated securities (section [28-8-102](#)), or other certificates, statements, or the like are to be received by the drawee or other payor before acceptance or payment of the draft;
- (g) "Draft" means a draft as defined in section [28-3-104](#) or an item, other than an instrument, that is an order;
- (h) "Drawee" means a person ordered in a draft to make payment;
- (i) "Item" means an instrument or a promise or order to pay money handled by a bank for collection or payment. The term does not include a payment order governed by part 6 of chapter 4 or a credit or debit card slip;
- (j) "Midnight deadline" with respect to a bank is midnight on its next banking day following the banking day on which it receives the relevant item or notice or from which the time for taking action commences to run, whichever is later;
- (k) "Settle" means to pay in cash, by clearing-house settlement, in a charge or credit or by remittance, or otherwise as agreed. A settlement may be either provisional or final;
- (l) "Suspends payments" with respect to a bank means that it has been closed by order of the supervisory authorities, that a public officer has been appointed to take it over or that it ceases or refuses to make payments in the ordinary course of business.

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

"Agreement for electronic presentment"	Section 28-4-110 .
"Bank"	Section 28-4-105 .
"Collecting bank"	Section 28-4-105 .
"Depository bank"	Section 28-4-105 .
"Intermediary bank"	Section 28-4-105 .
"Payor bank"	Section 28-4-105 .
"Presenting bank"	Section 28-4-105 .
"Presentment notice"	Section 28-4-110 .

(3) "Control" as provided in section [28-7-106](#) and the following definitions in other chapters apply to this chapter:

"Acceptance"	Section 28-3-409 .
"Alteration"	Section 28-3-407 .
"Cashier's check"	Section 28-3-104 .
"Certificate of deposit"	Section 28-3-104 .
"Certified check"	Section 28-3-409 .
"Check"	Section 28-3-104 .
"Draft"	Section 28-3-104 .
"Good faith"	Section 28-3-103 .
"Holder in due course"	Section 28-3-302 .
"Instrument"	Section 28-3-104 .
"Notice of dishonor"	Section 28-3-503 .
"Order"	Section 28-3-103 .
"Ordinary care"	Section 28-3-103 .
"Person entitled to enforce"	Section 28-3-301 .
"Presentment"	Section 28-3-501 .
"Promise"	Section 28-3-103 .
"Prove"	Section 28-3-103 .
"Teller's check"	Section 28-3-104 .
"Unauthorized signature"	Section 28-3-403 .

(4) In addition chapter 1 of this title contains general definitions and principles of construction and interpretation applicable throughout this chapter.

[28-4-104, added 1967, ch. 161, sec. 4-104, p. 351; am. 1993, ch. 288, sec. 6, p. 1054; am. 1995, ch. 272, sec. 18, p. 917; am. 2004, ch. 42, sec. 18, p. 113.]

28-4-105. "BANK" -- "DEPOSITARY BANK" -- "INTERMEDIARY BANK" -- "COLLECTING BANK" -- "PAYOR BANK" -- "PRESENTING BANK." In this chapter:

- (1) "Bank" means a person engaged in the business of banking, including a savings bank, savings and loan association, credit union or trust company;
- (2) "Depositary bank" means the first bank to take an item even though it is also the payor bank, unless the item is presented for immediate payment over the counter;
- (3) "Payor bank" means a bank that is the drawee of a draft;
- (4) "Intermediary bank" means a bank to which an item is transferred in course of collection except the depositary or payor bank;
- (5) "Collecting bank" means a bank handling the item for collection except the payor bank;
- (6) "Presenting bank" means a bank presenting an item except a payor bank.

[28-4-105, added 1967, ch. 161, sec. 4-105, p. 351; am. 1993, ch. 288, sec. 7, p. 1056.]

28-4-106. PAYABLE THROUGH OR PAYABLE AT BANK -- COLLECTING BANK. (1) If an item states that it is "payable through" a bank identified in the item, (i) the item designates the bank as a collecting bank and does not by itself authorize the bank to pay the item, and (ii) the item may be presented for payment only by or through the bank.

(2) If an item states that it is "payable at" a bank identified in the item, (i) the item designates the bank as a collecting bank and does not by itself authorize the bank to pay the item, and (ii) the item may be presented for payment only by or through the bank.

(3) If a draft names a nonbank drawee and it is unclear whether a bank named in the draft is a codrawee or a collecting bank, the bank is a collecting bank.

[28-4-106, added 1993, ch. 288, sec. 8, p. 1056.]

28-4-107. SEPARATE OFFICE OF A BANK. A branch or separate office of a bank is a separate bank for the purpose of computing the time within which and determining the place at or to which action may be taken or notices or orders must be given under this chapter and under chapter 3.

[(28-4-107) 1967, ch. 161, sec. 4-106, p. 351; am. and redesig. 1993, ch. 288, sec. 9, p. 1056.]

28-4-108. TIME OF RECEIPT OF ITEMS. (1) For the purpose of allowing time to process items, prove balances and make the necessary entries on its books to determine its position for the day, a bank may fix an afternoon hour of 2 P.M. or later as a cutoff hour for the handling of money and items and the making of entries on its books.

(2) An item or deposit of money received on any day after a cutoff hour so fixed or after the close of the banking day may be treated as being received at the opening of the next banking day.

[(28-4-108) 1967, ch. 161, sec. 4-107, p. 351; am. and redesig. 1993, ch. 288, sec. 10, p. 1057.]

28-4-109. DELAYS. (1) Unless otherwise instructed, a collecting bank in a good faith effort to secure payment of a specific item drawn on a payor other than a bank and with or without the approval of any person involved, may waive, modify or extend time limits imposed or permitted by this chapter for a period not exceeding two (2) additional banking days without discharge of drawers or indorsers or liability to its transferor or a prior party.

(2) Delay by a collecting bank or payor bank beyond time limits prescribed or permitted by this chapter or by instructions is excused if (i) the delay is caused by interruption of communication or computer facilities, suspension of payments by another bank, war, emergency conditions, failure of equipment, or other circumstances beyond the control of the bank, and (ii) the bank exercises such diligence as the circumstances require.

[(28-4-109) 1967, ch. 161, sec. 4-108, p. 351; am. and redesig. 1993, ch. 288, sec. 11, p. 1057.]

28-4-110. ELECTRONIC PRESENTMENT. (1) "Agreement for electronic presentment" means an agreement, clearing-house rule, or federal reserve regulation or operating circular, providing that presentment of an item may be made by transmission of an image of an item or information describing the item ("presentment notice") rather than delivery of the item itself. The agreement may provide for procedures governing retention, presentment, payment, dishonor and other matters concerning items subject to the agreement.

(2) Presentment of an item pursuant to an agreement for presentment is made when the presentment notice is received.

(3) If presentment is made by presentment notice, a reference to "item" or "check" in this chapter means the presentment notice unless the context otherwise indicates.

[28-4-110, added 1993, ch. 288, sec. 13, p. 1057.]

28-4-111. STATUTE OF LIMITATIONS. An action to enforce an obligation, duty or right arising under this chapter must be commenced within three (3) years after the cause of action accrues.

[28-4-111, added 1993, ch. 288, sec. 14, p. 1058.]

PART 2.

COLLECTION OF ITEMS -- DEPOSITARY AND COLLECTING BANKS

28-4-201. STATUS OF COLLECTING BANK AS AGENT AND PROVISIONAL STATUS OF CREDITS -- APPLICABILITY OF CHAPTER -- ITEM INDORSED "PAY ANY BANK." (1) Unless a contrary intent clearly appears and before the time that a settlement given by a collecting bank for an item is or becomes final, the bank, with respect to the item, is an agent or subagent of the owner of the item and any settlement given for the item is provisional. This provision applies regardless of the form of indorsement or lack of indorsement and even though credit given for the item is subject to immediate withdrawal as of right or is in fact withdrawn; but the continuance of ownership of an item by its owner and any rights of the owner to proceeds of the item are subject to rights of a collecting bank, such as those resulting from outstanding advances on the item and rights of recoupment or setoff. If an item is handled by banks for purposes of presentment, payment, collection, or return, the relevant provisions of this chapter apply even though action of the parties clearly establishes that a particular bank has purchased the item and is the owner of it.

(2) After an item has been indorsed with the words "pay any bank" or the like, only a bank may acquire the rights of a holder until the item has been:

- (a) returned to the customer initiating collection; or
- (b) specially indorsed by a bank to a person who is not a bank.

[28-4-201, added 1967, ch. 161, sec. 4-201, p. 351; am. 1993, ch. 288, sec. 15, p. 1058.]

28-4-202. RESPONSIBILITY FOR COLLECTION OR RETURN -- WHEN ACTION TIMELY. (1) A collecting bank must exercise ordinary care in:

- (a) presenting an item or sending it for presentment;
- (b) sending notice of dishonor or nonpayment or returning an item other than a documentary draft to the bank's transferor after learning that the item has not been paid or accepted, as the case may be;
- (c) settling for an item when the bank receives final settlement; and
- (d) notifying its transferor of any loss or delay in transit within a reasonable time after discovery thereof.

(2) A collecting bank exercises ordinary care under subsection (1) of this section by taking proper action before its midnight deadline following receipt of an item, notice or settlement. Taking proper action within a reasonably longer time may constitute the exercise of ordinary care, but the bank has the burden of establishing timeliness.

(3) Subject to subsection (1) (a) of this section, a bank is not liable for the insolvency, neglect, misconduct, mistake or default of another bank or person or for loss or destruction of an item in the possession of others or in transit.

[28-4-202, added 1967, ch. 161, sec. 4-202, p. 351; am. 1993, ch. 288, sec. 16, p. 1058.]

28-4-203. EFFECT OF INSTRUCTIONS. Subject to the provisions of chapter 3 concerning conversion of instruments (section [28-3-420](#)) and restrictive indorsements (section [28-3-206](#)), only a collecting bank's transferor can give instructions that affect the bank or constitute notice to it and a collecting bank is not liable to prior parties for any action taken pursuant to the instructions or in accordance with any agreement with its transferor.

[28-4-203, added 1967, ch. 161, sec. 4-203, p. 351; am. 1993, ch. 288, sec. 17, p. 1059.]

28-4-204. METHODS OF SENDING AND PRESENTING -- SENDING DIRECTLY TO PAYOR BANK. (1) A collecting bank shall send items by a reasonably prompt method, taking into consideration relevant instructions, the nature of the item, the number of those items on hand, the cost of collection involved and the method generally used by it or others to present those items.

(2) A collecting bank may send:

(a) an item directly to the payor bank;

(b) an item to a nonbank payor if authorized by its transferor; and

(c) an item other than documentary drafts to a nonbank payor, if authorized by federal reserve regulation or operating circular, clearing-house rule or the like.

(3) Presentment may be made by a presenting bank at a place where the payor bank or other payor has requested that presentment be made.

[28-4-204, added 1967, ch. 161, sec. 4-204, p. 351; am. 1993, ch. 288, sec. 18, p. 1059.]

28-4-205. DEPOSITARY BANK HOLDER OF UNINDORSED ITEM. If a customer delivers an item to a depositary bank for collection:

(1) The depositary bank becomes a holder of the item at the time it receives the item for collection if the customer at the time of delivery was a holder of the item, whether or not the customer indorses the item, and, if the bank satisfies the other requirements of section [28-3-302](#), it is a holder in due course; and

(2) The depositary bank warrants to collecting banks, the payor bank or other payor, and the drawer that the amount of the item was paid to the customer or deposited to the customer's account.

[28-4-205, added 1967, ch. 161, sec. 4-205, p. 351; am. 1993, ch. 288, sec. 19, p. 1060.]

28-4-206. TRANSFER BETWEEN BANKS. Any agreed method that identifies the transferor bank is sufficient for the item's further transfer to another bank.

[28-4-206, added 1967, ch. 161, sec. 4-206, p. 351; am. 1993, ch. 288, sec. 20, p. 1060.]

28-4-207. TRANSFER WARRANTIES. (1) A customer or collecting bank that transfers an item and receives a settlement or other consideration warrants to the transferee and to any subsequent collecting bank that:

- (a) The warrantor is a person entitled to enforce the item;
- (b) All signatures on the item are authentic and authorized;
- (c) The item has not been altered;
- (d) The item is not subject to a defense or claim in recoupment (section [28-3-305](#)(1)) of any party that can be asserted against the warrantor;
- (e) The warrantor has no knowledge of any insolvency proceeding commenced with respect to the maker or acceptor or, in the case of an unaccepted draft, the drawer; and
- (f) If the item is a demand draft, creation of the item according to the terms on its face was authorized by the person identified as drawer.

(2) If an item is dishonored, a customer or collecting bank transferring the item and receiving settlement or other consideration is obliged to pay the amount due on the item (i) according to the terms of the item at the time it was transferred, or (ii) if the transfer was of an incomplete item, according to its terms when completed as stated in sections [28-3-115](#) and [28-3-407](#). The obligation of a transferor is owed to the transferee and to any subsequent collecting bank that takes the item in good faith. A transferor cannot disclaim its obligation under this subsection by an indorsement stating that it is made "without recourse" or otherwise disclaiming liability.

(3) A person to whom the warranties under subsection (1) of this section are made and who took the item in good faith may recover from the warrantor as damages for breach of warranty an amount equal to the loss suffered as a result of the breach, but not more than the amount of the item plus expenses and loss of interest incurred as a result of the breach.

(4) The warranties stated in subsection (1) of this section cannot be disclaimed with respect to checks. Unless notice of a claim for breach of warranty is given to the warrantor within thirty (30) days after the claimant has reason to know of the breach and the identity of the warrantor, the warrantor is discharged to the extent of any loss caused by the delay in giving notice of the claim.

(5) A cause of action for breach of warranty under this section accrues when the claimant has reason to know of the breach.

(6) If the warranty in subsection (1)(f) of this section is not given by a transferor under applicable conflict of law rules, the warranty is not given to that transferor when the transferor is a transferee, nor to any prior collecting bank.

[28-4-207, added 1993, ch. 288, sec. 22, p. 1060; am. 2002, ch. 121, sec. 5, p. 343.]

28-4-208. PRESENTMENT WARRANTIES. (1) If an unaccepted draft is presented to the drawee for payment or acceptance and the drawee pays or accepts the draft, (i) the person obtaining payment or acceptance, at the time of presentment, and (ii) a previous transferor of the draft, at the time of transfer, warrant to the drawee that pays or accepts the draft in good faith that:

- (a) The warrantor is, or was, at the time the warrantor transferred the draft, a person entitled to enforce the draft or authorized to obtain payment or acceptance of the draft on behalf of a person entitled to enforce the draft;
- (b) The draft has not been altered;
- (c) The warrantor has no knowledge that the signature of the purported drawer of the draft is unauthorized; and

(d) If the draft is a demand draft, creation of the demand draft according to the terms on its face was authorized by the person identified as drawer.

(2) A drawee making payment may recover from a warrantor damages for breach of warranty equal to the amount paid by the drawee less the amount the drawee received or is entitled to receive from the drawer because of the payment. In addition, the drawee is entitled to compensation for expenses and loss of interest resulting from the breach. The right of the drawee to recover damages under this subsection is not affected by any failure of the drawee to exercise ordinary care in making payment. If the drawee accepts the draft (i) breach of warranty is a defense to the obligation of the acceptor, and (ii) if the acceptor makes payment with respect to the draft, the acceptor is entitled to recover from a warrantor for breach of warranty the amounts stated in this subsection.

(3) If a drawee asserts a claim for breach of warranty under subsection (1) of this section based on an unauthorized indorsement of the draft or an alteration of the draft, the warrantor may defend by proving that the indorsement is effective under section [28-3-404](#) or [28-3-405](#) or the drawer is precluded under section [28-3-406](#) or [28-4-406](#) from asserting against the drawee the unauthorized indorsement or alteration.

(4) If (i) a dishonored draft is presented for payment to the drawer or an indorser or (ii) any other item is presented for payment to a party obliged to pay the item, and the item is paid, the person obtaining payment and a prior transferor of the item warrant to the person making payment in good faith that the warrantor is, or was, at the time the warrantor transferred the item, a person entitled to enforce the item or authorized to obtain payment on behalf of a person entitled to enforce the item. The person making payment may recover from any warrantor for breach of warranty an amount equal to the amount paid plus expenses and loss of interest resulting from the breach.

(5) The warranties stated in subsections (1) and (2) of this section cannot be disclaimed with respect to checks. Unless notice of a claim for breach of warranty is given to the warrantor within thirty (30) days after the claimant has reason to know of the breach and the identity of the warrantor, the warrantor is discharged to the extent of any loss caused by the delay in giving notice of the claim.

(6) A cause of action for breach of warranty under this section accrues when the claimant has reason to know of the breach.

(7) A demand draft is a check, as provided in section [28-3-104](#).

(8) If the warranty in subsection (1)(d) of this section is not given by a transferor under applicable conflict of law rules, the warranty is not given to that transferor when the transferor is a transferee.

[28-4-208, added 1993, ch. 288, sec. 23, p. 1061; am. 2002, ch. 121, sec. 6, p. 344.]

28-4-209. ENCODING AND RETENTION WARRANTIES. (1) A person who encodes information on or with respect to an item after issue warrants to any subsequent collecting bank and to the payor bank or other payor that the information is correctly encoded. If the customer of a depository bank encodes, that bank also makes the warranty.

(2) A person who undertakes to retain an item pursuant to an agreement for electronic presentment warrants to any subsequent collecting bank and to the payor bank or other payor that retention and presentment of the item

comply with the agreement. If a customer of a depository bank undertakes to retain an item, that bank also makes this warranty.

(3) A person to whom warranties are made under this section and who took the item in good faith may recover from the warrantor as damages for breach of warranty an amount equal to the loss suffered as a result of the breach, plus expenses and loss of interest incurred as a result of the breach.

[28-4-209, added 1993, ch. 288, sec. 24, p. 1062.]

28-4-210. SECURITY INTEREST OF COLLECTING BANK IN ITEMS, ACCOMPANYING DOCUMENTS AND PROCEEDS. (1) A collecting bank has a security interest in an item and any accompanying documents or the proceeds of either:

- (a) In case of an item deposited in an account, to the extent to which credit given for the item has been withdrawn or applied;
- (b) In case of an item for which it has given credit available for withdrawal as of right, to the extent of the credit given, whether or not the credit is drawn upon or there is a right of charge-back; or
- (c) If it makes an advance on or against the item.

(2) If credit given for several items received at one (1) time or pursuant to a single agreement is withdrawn or applied in part, the security interest remains upon all the items, any accompanying documents or the proceeds of either. For the purpose of this section, credits first given are first withdrawn.

(3) Receipt by a collecting bank of a final settlement for an item is a realization on its security interest in the item, accompanying documents and proceeds. So long as the bank does not receive final settlement for the item or give up possession of the item or possession or control of the accompanying documents for purposes other than collection, the security interest continues to that extent and is subject to the provisions of [chapter 9, title 28](#), Idaho Code, but:

- (a) No security agreement is necessary to make the security interest enforceable (section [28-9-203](#)(b)(3)(A));
- (b) No filing is required to perfect the security interest; and
- (c) The security interest has priority over conflicting perfected security interests in the item, accompanying documents or proceeds.

[(28-4-210) 1967, ch. 161, sec. 4-208, p. 351; am. and redesign. 1993, ch. 288, sec. 25, p. 1062; am. 2001, ch. 208, sec. 10, p. 809; am. 2004, ch. 42, sec. 19, p. 114.]

28-4-211. WHEN BANK GIVES VALUE FOR PURPOSES OF HOLDER IN DUE COURSE. For purposes of determining its status as a holder in due course, a bank has given value to the extent it has a security interest in an item, if the bank otherwise complies with the requirements of section [28-3-302](#) on what constitutes a holder in due course.

[(28-4-211) 1967, ch. 161, sec. 4-209, p. 351; am. and redesign. 1993, ch. 288, sec. 26, p. 1063.]

28-4-212. PRESENTMENT BY NOTICE OF ITEM NOT PAYABLE BY, THROUGH OR AT A BANK -- LIABILITY OF DRAWER OR INDORSER. (1) Unless otherwise instructed, a collecting bank may present an item not payable by, through or at a bank by sending to the party to accept or pay a written notice that the bank holds the item for acceptance or payment. The notice must be sent in time to be re-

ceived on or before the day when presentment is due and the bank must meet any requirement of the party to accept or pay under section [28-3-501](#) by the close of the bank's next banking day after it knows of the requirement.

(2) If presentment is made by notice and payment, acceptance or request for compliance with a requirement under section [28-3-501](#) is not received by the close of business on the day after maturity or, in the case of demand items, by the close of business on the third banking day after notice was sent, the presenting bank may treat the item as dishonored and charge any drawer or indorser by sending it notice of the facts.

[(28-4-212) 1967, ch. 161, sec. 4-210, p. 351; am. and redesig. 1993, ch. 288, sec. 27, p. 1063.]

28-4-213. MEDIUM AND TIME OF SETTLEMENT BY BANK. (1) With respect to settlement by a bank, the medium and time of settlement may be prescribed by federal reserve regulations or circulars, clearing-house rules, and the like, or agreement. In the absence of such prescription:

(a) The medium of settlement is cash or credit to an account in a federal reserve bank of or specified by the person to receive settlement; and

(b) The time of settlement is:

(i) With respect to tender of settlement by cash, a cashier's check, or teller's check, when the cash or check is sent or delivered;

(ii) With respect to tender of settlement by credit in an account in a federal reserve bank, when the credit is made;

(iii) With respect to tender of settlement by a credit or debit to an account in a bank, when the credit or debit is made or, in the case of tender of settlement by authority to charge an account, when the authority is sent or delivered; or

(iv) With respect to tender of settlement by a funds transfer, when payment is made pursuant to section [28-4-631](#)(1) to the person receiving settlement.

(2) If the tender of settlement is not by a medium authorized by subsection (1) of this section or the time of settlement is not fixed by subsection (1) of this section, no settlement occurs until the tender of settlement is accepted by the person receiving settlement.

(3) If settlement for an item is made by cashier's check or teller's check and the person receiving settlement, before its midnight deadline:

(a) Presents or forwards the check for collection, settlement is final when the check is finally paid; or

(b) Fails to present or forward the check for collection, settlement is final at the midnight deadline of the person receiving settlement.

(4) If settlement for an item is made by giving authority to charge the account of the bank giving settlement in the bank receiving settlement, settlement is final when the charge is made by the bank receiving settlement if there are funds available in the account for the amount of the item.

[28-4-213, added 1993, ch. 288, sec. 29, p. 1064.]

28-4-214. RIGHT OF CHARGE-BACK OR REFUND -- LIABILITY OF COLLECTING BANK -- RETURN OF ITEM. (1) If a collecting bank has made provisional settlement with its customer for an item and fails by reason of dishonor, suspension of payments by a bank, or otherwise to receive a settlement for the item which is or becomes final, the bank may revoke the settlement

given by it, charge back the amount of any credit given for the item to its customer's account, or obtain refund from its customer, whether or not it is able to return the item, if by its midnight deadline or within a longer reasonable time after it learns the facts it returns the item or sends notification of the facts. If the return or notice is delayed beyond the bank's midnight deadline or a longer reasonable time after it learns the facts, the bank may revoke the settlement, charge back the credit, or obtain refund from its customer, but it is liable for any loss resulting from the delay. These rights to revoke, charge back and obtain refund terminate if and when a settlement for the item received by the bank is or becomes final.

(2) A collecting bank returns an item when it is sent or delivered to the bank's customer or transferor or pursuant to its instructions.

(3) A depository bank that is also the payor may charge back the amount of an item to its customer's account or obtain refund in accordance with the section governing return of an item received by a payor bank for credit on its books (section [28-4-301](#)).

(4) The right to charge back is not affected by:

(a) previous use of a credit given for the item; or

(b) failure by any bank to exercise ordinary care with respect to the item, but a bank so failing remains liable.

(5) A failure to charge back or claim refund does not affect other rights of the bank against the customer or any other party.

(6) If credit is given in dollars as the equivalent of the value of an item payable in foreign money, the dollar amount of any charge-back or refund must be calculated on the basis of the bank-offered spot rate for the foreign money prevailing on the day when the person entitled to the charge-back or refund learns that it will not receive payment in ordinary course.

[(28-4-214) 1967, ch. 161, sec. 4-212, p. 351; am. and redesisg. 1993, ch. 288, sec. 30, p. 1065.]

28-4-215. FINAL PAYMENT OF ITEM BY PAYOR BANK -- WHEN PROVISIONAL DEBITS AND CREDITS BECOME FINAL -- WHEN CERTAIN CREDITS BECOME AVAILABLE FOR WITHDRAWAL. (1) An item is finally paid by a payor bank when the bank has first done any of the following:

(a) paid the item in cash;

(b) settled for the item without having a right to revoke the settlement under statute, clearing-house rule or agreement; or

(c) made a provisional settlement for the item and failed to revoke the settlement in the time and manner permitted by statute, clearing-house rule or agreement.

(2) If provisional settlement for an item does not become final, the item is not finally paid.

(3) If provisional settlement for an item between the presenting and payor banks is made through a clearing house or by debits or credits in an account between them, then to the extent that provisional debits or credits for the item are entered in accounts between the presenting and payor banks or between the presenting and successive prior collecting banks seriatim, they become final upon final payment of the item by the payor bank.

(4) If a collecting bank receives a settlement for an item which is or becomes final, the bank is accountable to its customer for the amount of the item and any provisional credit given for the item in an account with its customer becomes final.

(5) Subject to (i) applicable law stating a time for availability of funds and (ii) any right of the bank to apply the credit to an obligation of the customer, credit given by a bank for an item in a customer's account becomes available for withdrawal as of right:

(a) if the bank has received a provisional settlement for the item, when the settlement becomes final and the bank has had a reasonable time to receive return of the item and the item has not been received within that time;

(b) if the bank is both the depository bank and the payor bank and the item is finally paid, at the opening of the bank's second banking day following receipt of the item.

(6) Subject to applicable law stating a time for availability of funds and any right of a bank to apply a deposit to an obligation of the depositor, a deposit of money becomes available for withdrawal as of right at the opening of the bank's next banking day after receipt of the deposit.

[(28-4-215) 1967, ch. 161, sec. 4-213, p. 351; am. and redesig. 1993, ch. 288, sec. 31, p. 1065.]

28-4-216. INSOLVENCY AND PREFERENCE. (1) If an item is in or comes into the possession of a payor or collecting bank that suspends payment and the item has not been finally paid, the item must be returned by the receiver, trustee or agent in charge of the closed bank to the presenting bank or the closed bank's customer.

(2) If a payor bank finally pays an item and suspends payments without making a settlement for the item with its customer or the presenting bank which settlement is or becomes final, the owner of the item has a preferred claim against the payor bank.

(3) If a payor bank gives or a collecting bank gives or receives a provisional settlement for an item and thereafter suspends payments, the suspension does not prevent or interfere with the settlement's becoming final if the finality occurs automatically upon the lapse of certain time or the happening of certain events.

(4) If a collecting bank receives from subsequent parties settlement for an item, which settlement is or becomes final and the bank suspends payments without making a settlement for the item with its customer which settlement is or becomes final, the owner of the item has a preferred claim against the collecting bank.

[(28-4-216) 1967, ch. 161, sec. 4-214, p. 351; am. and redesig. 1993, ch. 288, sec. 32, p. 1066.]

PART 3.

COLLECTION OF ITEMS -- PAYOR BANKS

28-4-301. DEFERRED POSTING -- RECOVERY OF PAYMENT BY RETURN OF ITEMS -- TIME OF DISHONOR -- RETURN OF ITEMS BY PAYOR BANK. (1) If a payor bank settles for a demand item other than a documentary draft presented otherwise than for immediate payment over the counter before midnight of the banking day of receipt, the payor bank may revoke the settlement and recover the settlement if, before it has made final payment and before its midnight deadline, it:

(a) returns the item; or

(b) sends written notice of dishonor or nonpayment if the item is unavailable for return.

(2) If a demand item is received by a payor bank for credit on its books, it may return the item or send notice of dishonor and may revoke any credit given or recover the amount thereof withdrawn by its customer, if it acts within the time limit and in the manner specified in subsection (1) of this section.

(3) Unless previous notice of dishonor has been sent, an item is dishonored at the time when for purposes of dishonor it is returned or notice sent in accordance with this section.

(4) An item is returned:

(a) as to an item presented through a clearing house, when it is delivered to the presenting or last collecting bank or to the clearing house or is sent or delivered in accordance with clearing-house rules; or

(b) in all other cases, when it is sent or delivered to the bank's customer or transferor or pursuant to instructions.

[28-4-301, added 1967, ch. 161, sec. 4-301, p. 351; am. 1993, ch. 288, sec. 33, p. 1067.]

28-4-302. PAYOR BANK'S RESPONSIBILITY FOR LATE RETURN OF ITEM. (1) If an item is presented to and received by a payor bank, the bank is accountable for the amount of:

(a) a demand item, other than a documentary draft, whether properly payable or not, if the bank, in any case in which it is not also the depository bank, retains the item beyond midnight of the banking day of receipt without settling for it or, whether or not it is also the depository bank, does not pay or return the item or send notice of dishonor until after its midnight deadline; or

(b) any other properly payable item unless, within the time allowed for acceptance or payment of that item, the bank either accepts or pays the item or returns it and accompanying documents.

(2) The liability of a payor bank to pay an item pursuant to subsection (1) of this section is subject to defenses based on breach of a presentment warranty (section [28-4-208](#)) or proof that the person seeking enforcement of the liability presented or transferred the item for the purpose of defrauding the payor bank.

[28-4-302, added 1967, ch. 161, sec. 4-302, p. 351; am. 1993, ch. 288, sec. 34, p. 1068.]

28-4-303. WHEN ITEMS SUBJECT TO NOTICE, STOP-PAYMENT ORDER, LEGAL PROCESS OR SETOFF -- ORDER IN WHICH ITEMS MAY BE CHARGED OR CERTIFIED. (1) Any knowledge, notice or stop-payment order received by, legal process served upon, or setoff exercised by a payor bank comes too late to terminate, suspend or modify the bank's right or duty to pay an item or to charge its customer's account for the item if the knowledge, notice, stop-payment order, or legal process is received or served and a reasonable time for the bank to act thereon expires or the setoff is exercised after the earliest of the following:

(a) the bank accepts or certifies the item;

(b) the bank pays the item in cash;

(c) the bank settles for the item without having a right to revoke the settlement under statute, clearing-house rule or agreement;

(d) the bank becomes accountable for the amount of the item under section [28-4-302](#) dealing with the payor bank's responsibility for late return of items; or

(e) with respect to checks, a cutoff hour no earlier than one (1) hour after the opening of the next banking day after the banking day on which the bank received the check and no later than the close of that next banking day or, if no cutoff hour is fixed, the close of the next banking day after the banking day on which the bank received the check.

(2) Subject to the provisions of subsection (1) of this section items may be accepted, paid, certified or charged to the indicated account of its customer in any order.

[28-4-303, added 1967, ch. 161, sec. 4-303, p. 351; am. 1993, ch. 288, sec. 35, p. 1068.]

PART 4.

RELATIONSHIP BETWEEN PAYOR BANK AND ITS CUSTOMER

28-4-401. WHEN BANK MAY CHARGE CUSTOMER'S ACCOUNT. (1) A bank may charge against the account of a customer an item that is properly payable from that account even though the charge creates an overdraft. An item is properly payable if it is authorized by the customer and is in accordance with any agreement between the customer and the bank.

(2) A customer is not liable for the amount of an overdraft if the customer neither signed the item nor benefited from the proceeds of the item.

(3) A bank may charge against the account of a customer a check that is otherwise properly payable from the account, even though payment was made before the date of the check, unless the customer has given notice to the bank of the postdating describing the check with reasonable certainty. The notice is effective for the period stated in section [28-4-403](#) (2) for stop-payment orders, and must be received at such time and in such manner as to afford the bank a reasonable opportunity to act on it before the bank takes any action with respect to the check described in section [28-4-303](#). If a bank charges against the account of a customer a check before the date stated in the notice of postdating, the bank is liable for damages for the loss resulting from its act. The loss may include damages for dishonor of subsequent items under section [28-4-402](#).

(4) A bank that in good faith makes payment to a holder may charge the indicated account of its customer according to:

(a) the original terms of the altered item; or

(b) the terms of the completed item, even though the bank knows the item has been completed unless the bank has notice that the completion was improper.

[28-4-401, added 1967, ch. 161, sec. 4-401, p. 351; am. 1993, ch. 288, sec. 36, p. 1069.]

28-4-402. BANK'S LIABILITY TO CUSTOMER FOR WRONGFUL DISHONOR -- TIME OF DETERMINING INSUFFICIENCY OF ACCOUNT. (1) Except as otherwise provided in this chapter, a payor bank wrongfully dishonors an item if it dishonors an item that is properly payable, but a bank may dishonor an item that would create an overdraft unless it has agreed to pay the overdraft.

(2) A payor bank is liable to its customer for damages proximately caused by the wrongful dishonor of an item. Liability is limited to actual

damages proved and may include damages for an arrest or prosecution of the customer or other consequential damages. Whether any consequential damages are proximately caused by the wrongful dishonor is a question of fact to be determined in each case.

(3) A payor bank's determination of the customer's account balance on which a decision to dishonor for insufficiency of available funds is based may be made at any time between the time the item is received by the payor bank and the time that the payor bank returns the item or gives notice in lieu of return, and no more than one (1) determination need be made. If, at the election of the payor bank, a subsequent balance determination is made for the purpose of reevaluating the bank's decision to dishonor the item, the account balance at that time is determinative of whether a dishonor for insufficiency of available funds is wrongful.

[28-4-402, added 1967, ch. 161, sec. 4-402, p. 351; am. 1993, ch. 288, sec. 37, p. 1069.]

28-4-403. CUSTOMER'S RIGHT TO STOP PAYMENT -- BURDEN OF PROOF OF LOSS. (1) A customer or any person authorized to draw on the account if there is more than one (1) person may stop payment of any item drawn on the customer's account or close the account by an order to the bank describing the item or account with reasonable certainty received at a time and in a manner that affords the bank a reasonable opportunity to act on it before any action by the bank with respect to the item described in section [28-4-303](#). If the signature of more than one (1) person is required to draw on an account, any of these persons may stop payment or close the account.

(2) A stop-payment order is effective for six (6) months, but it lapses after fourteen (14) calendar days if the original order was oral and was not confirmed in writing within that period. A stop-payment order may be renewed for additional six (6) month periods by a writing given to the bank within a period during which the stop-payment order is effective.

(3) The burden of establishing the fact and amount of loss resulting from the payment of an item contrary to a stop-payment order or order to close an account is on the customer. The loss from payment of an item contrary to a stop-payment order may include damages for dishonor of subsequent items under section [28-4-402](#).

[28-4-403, added 1967, ch. 161, sec. 4-403, p. 351; am. 1993, ch. 288, sec. 38, p. 1070.]

28-4-404. BANK NOT OBLIGATED TO PAY CHECK MORE THAN SIX MONTHS OLD. A bank is under no obligation to a customer having a checking account to pay a check, other than a certified check, which is presented more than six (6) months after its date, but it may charge its customer's account for a payment made thereafter in good faith.

[28-4-404, added 1967, ch. 161, sec. 4-404, p. 351.]

28-4-404A. BANK SHALL PROVIDE NOTICE OF USE OF PHOTOCOPY CHECK. In the event the original copy of a check is lost or mutilated during processing by a bank, and if a photocopy of a check is presented for payment, and the bank honors the photocopy for payment, the bank shall prepare a notice to its customer, which shall be forwarded to the customer with the monthly statement of accounts.

[28-4-404A, added 1984, ch. 145, sec. 1, p. 340.]

28-4-404B. STATUTORY FORM FOR NOTICE OF PROCESSING PHOTOCOPIED CHECK. The notice of a photocopied check required by section [28-4-404A](#), Idaho Code, shall be imprinted on the jacket containing the photocopied check or the facsimile itself and the notice shall be substantially in the following form:

NOTICE OF PROCESSING OF PHOTOCOPIED CHECK.

A check drawn by you has been photocopied and the photocopy has been honored. The original of the check has been lost or mutilated, and the photocopy has been used for your convenience. We have attempted to insure that payment has been made only one time. This is your notice of this process so that you may check your statement of account to determine that payment has not been duplicated.

[28-4-404B, added 1984, ch. 145, sec. 2, p. 340.]

28-4-404C. WHEN NOTICE NOT REQUIRED. The notice required by section [28-4-404B](#), Idaho Code, shall not be required in the event that the customer has elected to have the bank hold checks.

[28-4-404C, added 1984, ch. 145, sec. 3, p. 341.]

28-4-405. DEATH OR INCOMPETENCE OF CUSTOMER. (1) A payor or collecting bank's authority to accept, pay or collect an item or to account for proceeds of its collection, if otherwise effective, is not rendered ineffective by incompetence of a customer of either bank existing at the time the item is issued or its collection is undertaken if the bank does not know of an adjudication of incompetence. Neither death nor incompetence of a customer revokes the authority to accept, pay, collect or account until the bank knows of the fact of death or of an adjudication of incompetence and has reasonable opportunity to act on it.

(2) Even with knowledge, a bank may for ten (10) days after the date of death pay or certify checks drawn on or before that date unless ordered to stop payment by a person claiming an interest in the account.

[28-4-405, added 1967, ch. 161, sec. 4-405, p. 351; am. 1993, ch. 288, sec. 39, p. 1070.]

28-4-406. CUSTOMER'S DUTY TO DISCOVER AND REPORT UNAUTHORIZED SIGNATURE OR ALTERATION. (1) A bank that sends or makes available to a customer a statement of account showing payment of items for the account shall either return or make available to the customer the items paid or provide information in the statement of account sufficient to allow the customer reasonably to identify the items paid. The statement of account provides sufficient information if the item is described by item number, amount, and date of payment.

(2) If the items are not returned to the customer, the person retaining the items shall either retain the items or, if the items are destroyed, maintain the capacity to furnish legible copies of the items until the expiration of seven (7) years after receipt of the items. A customer may request an item from the bank that paid the item, and that bank must provide in a reasonable

time either the item or, if the item has been destroyed or is not otherwise obtainable, a legible copy of the item.

(3) If a bank sends or makes available a statement of account or items pursuant to subsection (1) of this section, the customer must exercise reasonable promptness in examining the statement or the items to determine whether any payment was not authorized because of an alteration of an item or because a purported signature by or on behalf of the customer was not authorized. If, based on the statement or items provided, the customer should reasonably have discovered the unauthorized payment, the customer must promptly notify the bank of the relevant facts.

(4) If the bank proves that the customer failed, with respect to an item, to comply with the duties imposed on the customer by subsection (3) of this section the customer is precluded from asserting against the bank:

(a) the customer's unauthorized signature or any alteration on the item, if the bank also proves that it suffered a loss by reason of the failure; and

(b) the customer's unauthorized signature or alteration by the same wrongdoer on any other item paid in good faith by the bank if the payment was made before the bank received notice from the customer of the unauthorized signature or alteration and after the customer had been afforded a reasonable period of time, not exceeding thirty (30) days, in which to examine the item or statement of account and notify the bank.

(5) If subsection (4) of this section applies and the customer proves that the bank failed to exercise ordinary care in paying the item and that the failure substantially contributed to loss, the loss is allocated between the customer precluded and the bank asserting the preclusion according to the extent to which the failure of the customer to comply with subsection (3) of this section and the failure of the bank to exercise ordinary care contributed to the loss. If the customer proves that the bank did not pay the item in good faith, the preclusion under subsection (4) of this section does not apply.

(6) Without regard to care or lack of care of either the customer or the bank, a customer who does not within one (1) year after the statement or items are made available to the customer (subsection (1)) discover and report the customer's unauthorized signature on or any alteration on the item is precluded from asserting against the bank the unauthorized signature or alteration. If there is a preclusion under this subsection, the payor bank may not recover for breach of warranty under section [28-4-208](#) with respect to the unauthorized signature or alteration to which the preclusion applies.

[28-4-406, added 1967, ch. 161, sec. 4-406, p. 351; am. 1993, ch. 288, sec. 40, p. 1071.]

28-4-407. PAYOR BANK'S RIGHT TO SUBROGATION ON IMPROPER PAYMENT. If a payor bank has paid an item over the order of the drawer or maker to stop payment, or after an account has been closed, or otherwise under circumstances giving a basis for objection by the drawer or maker, to prevent unjust enrichment and only to the extent necessary to prevent loss to the bank by reason of its payment of the item, the payor bank is subrogated to the rights

(a) of any holder in due course on the item against the drawer or maker;

(b) of the payee or any other holder of the item against the drawer or maker either on the item or under the transaction out of which the item arose; and

(c) of the drawer or maker against the payee or any other holder of the item with respect to the transaction out of which the item arose.

[28-4-407, added 1967, ch. 161, sec. 4-407, p. 351; am. 1993, ch. 288, sec. 41, p. 1072.]

PART 5.
COLLECTION OF DOCUMENTARY DRAFTS

28-4-501. HANDLING OF DOCUMENTARY DRAFTS -- DUTY TO SEND FOR PRESENTMENT AND TO NOTIFY CUSTOMER OF DISHONOR. A bank that takes a documentary draft for collection shall present or send the draft and accompanying documents for presentment and, upon learning that the draft has not been paid or accepted in due course, shall seasonably notify its customer of the fact even though it may have discounted or brought the draft or extended credit available for withdrawal as of right.

[28-4-501, added 1967, ch. 161, sec. 4-501, p. 351; am. 1993, ch. 288, sec. 42, p. 1073.]

28-4-502. PRESENTMENT OF "ON ARRIVAL" DRAFTS. If a draft or the relevant instructions require presentment "on arrival," "when goods arrive" or the like, the collecting bank need not present until in its judgment a reasonable time for arrival of the goods has expired. Refusal to pay or accept because the goods have not arrived is not dishonor; the bank must notify its transferor of the refusal but need not present the draft again until it is instructed to do so or learns of the arrival of the goods.

[28-4-502, added 1967, ch. 161, sec. 4-502, p. 351; am. 1993, ch. 288, sec. 43, p. 1073.]

28-4-503. RESPONSIBILITY OF PRESENTING BANK FOR DOCUMENTS AND GOODS -- REPORT OF REASONS FOR DISHONOR -- REFEREE IN CASE OF NEED. Unless otherwise instructed and except as provided in chapter 5, a bank presenting a documentary draft:

(1) must deliver the documents to the drawee on acceptance of the draft if it is payable more than three (3) days after presentment; otherwise, only on payment; and

(2) upon dishonor, either in the case of presentment for acceptance or presentment for payment, may seek and follow instructions from any referee in case of need designated in the draft or, if the presenting bank does not choose to utilize the referee's services, it must use diligence and good faith to ascertain the reason for dishonor, must notify its transferor of the dishonor and of the results of its effort to ascertain the reasons therefor, and must request instructions.

However, the presenting bank is under no obligation with respect to goods represented by the documents except to follow any reasonable instructions seasonably received; it has a right to reimbursement for any expense incurred in the following instructions and to prepayment of or indemnity for those expenses.

[28-4-503, added 1967, ch. 161, sec. 4-503, p. 351; am. 1993, ch. 288, sec. 44, p. 1073.]

28-4-504. PRIVILEGE OF PRESENTING BANK TO DEAL WITH GOODS -- SECURITY INTEREST FOR EXPENSES. (1) A presenting bank that, following the dishonor of a documentary draft, has seasonably requested instructions but does not receive them within a reasonable time may store, sell, or otherwise deal with the goods in any reasonable manner.

(2) For its reasonable expenses incurred by action under subsection (1) of this section, the presenting bank has a lien upon the goods or their proceeds, which may be foreclosed in the same manner as an unpaid seller's lien.

[28-4-504, added 1967, ch. 161, sec. 4-504, p. 351; am. 1993, ch. 288, sec. 45, p. 1074.]

PART 6.
FUNDS TRANSFERS

28-4-601. SHORT TITLE. This part may be cited as "Uniform Commercial Code--Funds Transfers."

[28-4-601, added 1991, ch. 135, sec. 1, p. 296.]

28-4-602. SUBJECT MATTER. Except as otherwise provided in section [28-4-608](#), this part applies to funds transfers defined in section [28-4-604](#).

[28-4-602, added 1991, ch. 135, sec. 1, p. 296.]

28-4-603. PAYMENT ORDER -- DEFINITIONS. (1) In this part:

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

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

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

(i) the instruction does not state a condition to payment to the beneficiary other than time of payment,

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

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

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

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

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

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

[28-4-603, added 1991, ch. 135, sec. 1, p. 296.]

28-4-604. FUNDS TRANSFER -- DEFINITIONS. In this part:

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

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

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

(4) "Originator's bank" means:

(a) the receiving bank to which the payment order of the originator is issued if the originator is not a bank, or

(b) the originator if the originator is a bank.

[28-4-604, added 1991, ch. 135, sec. 1, p. 297.]

28-4-605. OTHER DEFINITIONS. (1) In this part:

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

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

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

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

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

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

(g) "Prove" with respect to a fact means to meet the burden of establishing the fact (section [28-1-201](#)(b)(8)).

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

"Acceptance"	Section 28-4-617
"Beneficiary"	Section 28-4-603
"Beneficiary's bank"	Section 28-4-603
"Executed"	Section 28-4-621
"Execution date"	Section 28-4-621
"Funds transfer"	Section 28-4-604
"Funds-transfer system rule"	Section 28-4-632
"Intermediary bank"	Section 28-4-604

"Originator"	Section 28-4-604
"Originator's bank"	Section 28-4-604
"Payment by beneficiary's bank to beneficiary"	Section 28-4-630
"Payment by originator to beneficiary"	Section 28-4-631
"Payment by sender to receiving bank"	Section 28-4-628
"Payment date"	Section 28-4-626
"Payment order"	Section 28-4-603
"Receiving bank"	Section 28-4-603
"Security procedure"	Section 28-4-609
"Sender"	Section 28-4-603
(3) The following definitions in article 4 apply to this part:	
"Clearing house"	Section 28-4-104
"Item"	Section 28-4-104
"Suspends payments"	Section 28-4-104

(4) In addition article 1 contains general definitions and principles of construction and interpretation applicable throughout this part.

[28-4-605, added 1991, ch. 135, sec. 1, p. 297; am. 2004, ch. 43, sec. 32, p. 154.]

28-4-606. TIME PAYMENT ORDER IS RECEIVED. (1) The time of receipt of a payment order or communication canceling or amending a payment order is determined by the rules applicable to receipt of a notice stated in section [28-1-202](#). A receiving bank may fix a cut-off time or times on a funds-transfer business day for the receipt and processing of payment orders and communications canceling or amending payment orders. Different cut-off times may apply to payment orders, cancellations, or amendments, or to different categories of payment orders, cancellations, or amendments. A cut-off time may apply to senders generally or different cut-off times may apply to different senders or categories of payment orders. If a payment order or communication canceling or amending a payment order is received after the close of a funds-transfer business day or after the appropriate cut-off time on a funds-transfer business day, the receiving bank may treat the payment order or communication as received at the opening of the next funds-transfer business day.

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

[28-4-606, added 1991, ch. 135, sec. 1, p. 298; am. 2004, ch. 43, sec. 33, p. 155.]

28-4-607. FEDERAL RESERVE REGULATIONS AND OPERATING CIRCULARS. Regulations of the board of governors of the Federal Reserve System and operating circulars of the Federal Reserve banks supersede any inconsistent provision of this part to the extent of the inconsistency.

[28-4-607, added 1991, ch. 135, sec. 1, p. 299.]

28-4-608. RELATIONSHIP TO ELECTRONIC FUND TRANSFER ACT. (1) Except as provided in subsection (2) of this section, this part does not apply to a funds transfer any part of which is governed by the electronic fund transfer

act of 1978 (title XX, public law [95-630](#), 92 stat. 3728, 15 U.S.C. section 1693 et seq.) as amended from time to time.

(2) This part applies to a funds transfer that is a remittance transfer as defined in the electronic fund transfer act (15 U.S.C. section 1693o-1) as amended from time to time, unless the remittance transfer is an electronic fund transfer as defined in the electronic fund transfer act (15 U.S.C. section 1693a) as amended from time to time.

(3) In a funds transfer to which this part applies, in the event of an inconsistency between an applicable provision of this part and an applicable provision of the electronic fund transfer act, the provision of the electronic fund transfer act governs to the extent of the inconsistency.

[28-4-608, added 1991, ch. 135, sec. 1, p. 299; am. 2013, ch. 73, sec. 1, p. 188.]

28-4-609. SECURITY PROCEDURE. "Security procedure" means a procedure established by agreement of a customer and a receiving bank for the purpose of (1) verifying that a payment order or communication amending or cancelling a payment order is that of the customer, or (2) detecting error in the transmission or the content of the payment order or communication. A security procedure may require the use of algorithms or other codes, identifying words or numbers, encryption, callback procedures, or similar security devices. Comparison of a signature on a payment order or communication with an authorized specimen signature of the customer is not by itself a security procedure.

[28-4-609, added 1991, ch. 135, sec. 1, p. 299.]

28-4-610. AUTHORIZED AND VERIFIED PAYMENT ORDERS. (1) A payment order received by the receiving bank is the authorized order of the person identified as sender if that person authorized the order or is otherwise bound by it under the law of agency.

(2) If a bank and its customer have agreed that the authenticity of payment orders issued to the bank in the name of the customer as sender will be verified pursuant to a security procedure, a payment order received by the receiving bank is effective as the order of the customer, whether or not authorized, if:

- (a) the security procedure is a commercially reasonable method of providing security against unauthorized payment orders, and
- (b) the bank proves that it accepted the payment order in good faith and in compliance with the security procedure and any written agreement or instruction of the customer restricting acceptance of payment orders issued in the name of the customer.

The bank is not required to follow an instruction that violates a written agreement with the customer or notice of which is not received at a time and in a manner affording the bank a reasonable opportunity to act on it before the payment order is accepted.

(3) Commercial reasonableness of a security procedure is a question of law to be determined by considering the wishes of the customer expressed to the bank, the circumstances of the customer known to the bank, including the size, type, and frequency of payment orders normally issued by the customer to the bank, alternative security procedures offered to the customer, and security procedures in general use by customers and receiving banks simi-

larly situated. A security procedure is deemed to be commercially reasonable if:

(a) the security procedure was chosen by the customer after the bank offered, and the customer refused, a security procedure that was commercially reasonable for that customer, and

(b) the customer expressly agreed in writing to be bound by any payment order, whether or not authorized, issued in its name and accepted by the bank in compliance with the security procedure chosen by the customer.

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

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

(6) Except as provided in this section and in section [28-4-611](#) (1) (a), rights and obligations arising under this section or section [28-4-611](#) may not be varied by agreement.

[28-4-610, added 1991, ch. 135, sec. 1, p. 299.]

28-4-611. UNENFORCEABILITY OF CERTAIN VERIFIED PAYMENT ORDERS. (1) If an accepted payment order is not, under section [28-4-610](#) (1), an authorized order of a customer identified as sender, but is effective as an order of the customer pursuant to section [28-4-610](#) (2), the following rules apply:

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

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

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

[28-4-611, added 1991, ch. 135, sec. 1, p. 300.]

28-4-612. REFUND OF PAYMENT AND DUTY OF CUSTOMER TO REPORT WITH RESPECT TO UNAUTHORIZED PAYMENT ORDER. (a) If a receiving bank accepts a payment order issued in the name of its customer as sender which is:

(1) Not authorized and not effective as the order of the customer under section [28-4-610](#), or

(2) Not enforceable, in whole or in part, against the customer under section [28-4-611](#), the bank shall refund any payment of the payment order received from the customer to the extent the bank is not entitled to enforce payment and shall pay interest on the refundable amount calculated from the date the bank received payment to the date of the refund. However, the customer is not entitled to interest from the bank on the amount to be refunded if the customer fails to exercise ordinary care to

determine that the order was not authorized by the customer and to notify the bank of the relevant facts within a reasonable time not exceeding ninety (90) days after the date the customer received notification from the bank that the order was accepted or that the customer's account was debited with respect to the order. The bank is not entitled to any recovery from the customer on account of a failure by the customer to give notification as stated in this section.

(b) Reasonable time under subsection (a) of this section may be fixed by agreement as stated in section [28-1-302\(b\)](#), but the obligation of a receiving bank to refund payment as stated in subsection (a) of this section may not otherwise be varied by agreement.

[28-4-612, added 1991, ch. 135, sec. 1, p. 300; am. 2004, ch. 43, sec. 34, p. 156.]

28-4-613. ERRONEOUS PAYMENT ORDERS. (1) If an accepted payment order was transmitted pursuant to a security procedure for the detection of error and the payment order (i) erroneously instructed payment to a beneficiary not intended by the sender, (ii) erroneously instructed payment in an amount greater than the amount intended by the sender, or (iii) was an erroneously transmitted duplicate of a payment order previously sent by the sender, the following rules apply:

(a) If the sender proves that the sender or a person acting on behalf of the sender pursuant to section [28-4-614](#), Idaho Code, complied with the security procedure and that the error would have been detected if the receiving bank had also complied, the sender is not obliged to pay the order to the extent stated in paragraphs (b) and (c) of this subsection.

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

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

(2) If (i) the sender of an erroneous payment order described in subsection (1) of this section is not obliged to pay all or part of the order, and (ii) the sender receives notification from the receiving bank that the order was accepted by the bank or that the sender's account was debited with respect to the order, the sender has a duty to exercise ordinary care, on the basis of information available to the sender, to discover the error with respect to the order and to advise the bank of the relevant facts within a reasonable time, not exceeding ninety (90) days, after the bank's notification was received by the sender. If the bank proves that the sender failed to perform that duty, the sender is liable to the bank for the loss the bank proves it incurred as a result of the failure, but the liability of the sender may not exceed the amount of the sender's order.

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

[28-4-613, added 1991, ch. 135, sec. 1, p. 301; am. 2014, ch. 97, sec. 8, p. 271; am. 2020, ch. 82, sec. 16, p. 190; am. 2021, ch. 321, sec. 3, p. 946.]

28-4-614. TRANSMISSION OF PAYMENT ORDER THROUGH FUNDS -- TRANSFER OR OTHER COMMUNICATION SYSTEM. (1) If a payment order addressed to a receiving bank is transmitted to a funds-transfer system or other third-party communication system for transmittal to the bank, the system is deemed to be an agent of the sender for the purpose of transmitting the payment order to the bank. If there is a discrepancy between the terms of the payment order transmitted to the system and the terms of the payment order transmitted by the system to the bank, the terms of the payment order of the sender are those transmitted by the system. This section does not apply to a funds-transfer system of the Federal Reserve banks.

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

[28-4-614, added 1991, ch. 135, sec. 1, p. 302.]

28-4-615. MISDESCRIPTION OF BENEFICIARY. (1) Subject to subsection (2) of this section, if, in a payment order received by the beneficiary's bank, the name, bank account number, or other identification of the beneficiary refers to a nonexistent or unidentifiable person or account, no person has rights as a beneficiary of the order and acceptance of the order cannot occur.

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

(a) Except as otherwise provided in subsection (3) of this section, if the beneficiary's bank does not know that the name and number refer to different persons, it may rely on the number as the proper identification of the beneficiary of the order. The beneficiary's bank need not determine whether the name and number refer to the same person.

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

(3) If (i) a payment order described in subsection (2) of this section is accepted, (ii) the originator's payment order described the beneficiary inconsistently by name and number, and (iii) the beneficiary's bank pays the person identified by number as permitted in subsection (2) (a) of this section, the following rules apply:

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

(b) If the originator is not a bank and proves that the person identified by number was not entitled to receive payment from the originator, the originator is not obliged to pay its order unless the originator's bank proves that the originator, before acceptance of the originator's order, had notice that payment of a payment order issued by the originator might be made by the beneficiary's bank on the basis of an identifying or bank account number even if it identifies a person different from the named beneficiary. Proof of notice may be made by any admis-

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

(4) In a case governed by the provisions of subsection (2) (a) of this section, if the beneficiary's bank rightfully pays the person identified by number and that person was not entitled to receive payment from the originator, the amount paid may be recovered from that person to the extent allowed by the law governing mistake and restitution as follows:

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

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

[28-4-615, added 1991, ch. 135, sec. 1, p. 302.]

28-4-616. MISDESCRIPTION OF INTERMEDIARY BANK OR BENEFICIARY'S BANK. (1) This subsection applies to a payment order identifying an intermediary bank or the beneficiary's bank only by an identifying number.

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

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

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

(a) If the sender is a bank, the receiving bank may rely on the number as the proper identification of the intermediary or beneficiary's bank if the receiving bank, when it executes the sender's order, does not know that the name and number identify different persons. The receiving bank need not determine whether the name and number refer to the same person or whether the number refers to a bank. The sender is obliged to compensate the receiving bank for any loss and expenses incurred by the receiving bank as a result of its reliance on the number in executing or attempting to execute the order.

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

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

(d) If the receiving bank knows that the name and number identify different persons, reliance on either the name or the number in executing the sender's payment order is a breach of the obligation stated in section [28-4-622](#)(1) (a).

[28-4-616, added 1991, ch. 135, sec. 1, p. 303.]

28-4-617. ACCEPTANCE OF PAYMENT ORDER. (1) Subject to subsection (4) of this section, a receiving bank other than the beneficiary's bank accepts a payment order when it executes the order.

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

(a) when the bank (i) pays the beneficiary as stated in section [28-4-630](#)(1) or [28-4-630](#)(2), or (ii) notifies the beneficiary of receipt of the order or that the account of the beneficiary has been credited with respect to the order unless the notice indicates that the bank is rejecting the order or that funds with respect to the order may not be withdrawn or used until receipt of payment from the sender of the order;

(b) when the bank receives payment of the entire amount of the sender's order pursuant to section [28-4-628](#)(1) (a) or [28-4-628](#)(1) (b); or

(c) the opening of the next funds-transfer business day of the bank following the payment date of the order if, at that time, the amount of the sender's order is fully covered by a withdrawable credit balance in an authorized account of the sender or the bank has otherwise received full payment from the sender, unless the order was rejected before that time or is rejected within (i) one (1) hour after that time, or (ii) one (1) hour after the opening of the next business day of the sender following the payment date if that time is later. If notice of rejection is received by the sender after the payment date and the authorized account of the sender does not bear interest, the bank is obliged to pay interest to the sender on the amount of the order for the number of days elapsing after the payment date to the day the sender receives notice or learns that the order was not accepted, counting that day as an elapsed day. If the withdrawable credit balance during that period falls below the amount of the order, the amount of interest payable is reduced accordingly.

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

(4) A payment order issued to the originator's bank cannot be accepted until the payment date if the bank is the beneficiary's bank, or the execution date if the bank is not the beneficiary's bank. If the originator's bank executes the originator's payment order before the execution date or pays the beneficiary of the originator's payment order before the payment date and the payment order is subsequently cancelled pursuant to section [28-4-619](#)(2), the bank may recover from the beneficiary any payment received to the extent allowed by the law governing mistake and restitution.

[28-4-617, added 1991, ch. 135, sec. 1, p. 304.]

28-4-618. REJECTION OF PAYMENT ORDER. (1) A payment order is rejected by the receiving bank by a notice of rejection transmitted to the sender orally, electronically, or in writing. A notice of rejection need not use any particular words and is sufficient if it indicates that the receiving bank is rejecting the order or will not execute or pay the order. Rejection is effective when the notice is given if transmission is by a means that is reasonable in the circumstances. If notice of rejection is given by a means that is not reasonable, rejection is effective when the notice is received. If an agreement of the sender and receiving bank establishes the means to be used to reject a payment order,

- (a) any means complying with the agreement is reasonable, and
- (b) any means not complying is not reasonable unless no significant delay in receipt of the notice resulted from the use of the noncomplying means.

(2) The provisions of this subsection apply if a receiving bank other than the beneficiary's bank fails to execute a payment order despite the existence on the execution date of a withdrawable credit balance in an authorized account of the sender sufficient to cover the order. If the sender does not receive notice of rejection of the order on the execution date and the authorized account of the sender does not bear interest, the bank is obliged to pay interest to the sender on the amount of the order for the number of days elapsing after the execution date to the earlier of the day the order is cancelled pursuant to section [28-4-619](#)(4) or the day the sender receives notice or learns that the order was not executed, counting the final day of the period as an elapsed day. If the withdrawable credit balance during that period falls below the amount of the order, the amount of interest is reduced accordingly.

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

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

[28-4-618, added 1991, ch. 135, sec. 1, p. 305.]

28-4-619. CANCELLATION AND AMENDMENT OF PAYMENT ORDER. (1) A communication of the sender of a payment order cancelling or amending the order may be transmitted to the receiving bank orally, electronically, or in writing. If a security procedure is in effect between the sender and the receiving bank, the communication is not effective to cancel or amend the order unless the communication is verified pursuant to the security procedure or the bank agrees to the cancellation or amendment.

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

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

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

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

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

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

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

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

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

[28-4-619, added 1991, ch. 135, sec. 1, p. 305.]

28-4-620. LIABILITY AND DUTY OF RECEIVING BANK REGARDING UNACCEPTED PAYMENT ORDER. If a receiving bank fails to accept a payment order that it is obliged by express agreement to accept, the bank is liable for breach of the agreement to the extent provided in the agreement or in this part, but does not otherwise have any duty to accept a payment order or, before acceptance, to take any action, or refrain from taking action, with respect to the order except as provided in this part or by express agreement. Liability based on acceptance arises only when acceptance occurs as stated in section [28-4-617](#), and liability is limited to that provided in this part. A receiving bank is not the agent of the sender or beneficiary of the payment order it accepts, or of any other party to the funds transfer, and the bank owes no duty to any party to the funds transfer except as provided in this part or by express agreement.

[28-4-620, added 1991, ch. 135, sec. 1, p. 307.]

28-4-621. EXECUTION AND EXECUTION DATE. (1) A payment order is "executed" by the receiving bank when it issues a payment order intended to carry out the payment order received by the bank. A payment order received by the beneficiary's bank can be accepted but cannot be executed.

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

[28-4-621, added 1991, ch. 135, sec. 1, p. 307.]

28-4-622. OBLIGATIONS OF RECEIVING BANK IN EXECUTION OF PAYMENT ORDER. (1) Except as provided in subsections (2) through (4) of this section, if the receiving bank accepts a payment order pursuant to section [28-4-617](#)(1), the bank has the following obligations in executing the order:

(a) The receiving bank is obliged to issue, on the execution date, a payment order complying with the sender's order and to follow the sender's instructions concerning (i) any intermediary bank or funds-transfer system to be used in carrying out the funds transfer, or (ii) the means by which payment orders are to be transmitted in the funds transfer. If the originator's bank issues a payment order to an intermediary bank, the originator's bank is obliged to instruct the intermediary bank according to the instruction of the originator. An intermediary bank in the funds transfer is similarly bound by an instruction given to it by the sender of the payment order it accepts.

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

(2) Unless otherwise instructed, a receiving bank executing a payment order may:

(a) use any funds-transfer system if use of that system is reasonable in the circumstances, and

(b) issue a payment order to the beneficiary's bank or to an intermediary bank through which a payment order conforming to the sender's order can expeditiously be issued to the beneficiary's bank if the receiving bank exercises ordinary care in the selection of the intermediary bank.

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

(3) Unless the provisions of subsection (1) (b) apply or the receiving bank is otherwise instructed, the bank may execute a payment order by transmitting its payment order by first class mail or by any means reasonable

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

(4) Unless instructed by the sender,

(a) the receiving bank may not obtain payment of its charges for services and expenses in connection with the execution of the sender's order by issuing a payment order in an amount equal to the amount of the sender's order less the amount of the charges, and

(b) may not instruct a subsequent receiving bank to obtain payment of its charges in the same manner.

[28-4-622, added 1991, ch. 135, sec. 1, p. 307.]

28-4-623. ERRONEOUS EXECUTION OF PAYMENT ORDER. (1) A receiving bank that:

(a) executes the payment order of the sender by issuing a payment order in an amount greater than the amount of the sender's order, or

(b) issues a payment order in execution of the sender's order and then issues a duplicate order, is entitled to payment of the amount of the sender's order under section [28-4-627](#) (3) if the provisions of that subsection are otherwise satisfied. The bank is entitled to recover from the beneficiary of the erroneous order the excess payment received to the extent allowed by the law governing mistake and restitution.

(2) A receiving bank that executes the payment order of the sender by issuing a payment order in an amount less than the amount of the sender's order is entitled to payment of the amount of the sender's order under section [28-4-627](#) (3) if:

(a) that subsection is otherwise satisfied, and

(b) the bank corrects its mistake by issuing an additional payment order for the benefit of the beneficiary of the sender's order.

If the error is not corrected, the issuer of the erroneous order is entitled to receive or retain payment from the sender of the order it accepted only to the extent of the amount of the erroneous order. The provisions of this subsection do not apply if the receiving bank executes the sender's payment order by issuing a payment order in an amount less than the amount of the sender's order for the purpose of obtaining payment of its charges for services and expenses pursuant to instruction of the sender.

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

[28-4-623, added 1991, ch. 135, sec. 1, p. 308.]

28-4-624. DUTY OF SENDER TO REPORT ERRONEOUSLY EXECUTED PAYMENT ORDER. If the sender of a payment order that is erroneously executed as stated in section [28-4-623](#) receives notification from the receiving bank that the order was executed or that the sender's account was debited with respect to the order, the sender has a duty to exercise ordinary care to determine,

on the basis of information available to the sender, that the order was erroneously executed and to notify the bank of the relevant facts within a reasonable time not exceeding ninety (90) days after the notification from the bank was received by the sender. If the sender fails to perform that duty, the bank is not obliged to pay interest on any amount refundable to the sender under section [28-4-627](#) (4) for the period before the bank learns of the execution error. The bank is not entitled to any recovery from the sender on account of a failure by the sender to perform the duty stated in this section.

[28-4-624, added 1991, ch. 135, sec. 1, p. 309.]

28-4-625. LIABILITY FOR LATE OR IMPROPER EXECUTION OR FAILURE TO EXECUTE PAYMENT ORDER. (1) If a funds transfer is completed but execution of a payment order by the receiving bank in breach of the provisions of section [28-4-622](#) results in delay in payment to the beneficiary, the bank is obliged to pay interest to either the originator or the beneficiary of the funds transfer for the period of delay caused by the improper execution. Except as provided in subsection (3) of this section, additional damages are not recoverable.

(2) If execution of a payment order by a receiving bank in breach of section [28-4-622](#) results in:

(a) noncompletion of the funds transfer,

(b) failure to use an intermediary bank designated by the originator, or

(c) issuance of a payment order that does not comply with the terms of the payment order of the originator, the bank is liable to the originator for its expenses in the funds transfer and for incidental expenses and interest losses, to the extent not covered in subsection (1) of this section, resulting from the improper execution.

Except as provided in subsection (3) of this section, additional damages are not recoverable.

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

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

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

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

[28-4-625, added 1991, ch. 135, sec. 1, p. 309.]

28-4-626. PAYMENT DATE. "Payment date" of a payment order means the day on which the amount of the order is payable to the beneficiary by the beneficiary's bank. The payment date may be determined by instruction of the sender but cannot be earlier than the day the order is received by the beneficiary's bank and, unless otherwise determined, is the day the order is received by the beneficiary's bank.

[28-4-626, added 1991, ch. 135, sec. 1, p. 310.]

28-4-627. OBLIGATION OF SENDER TO PAY RECEIVING BANK. (1) The provisions of this section are subject to the provisions of sections [28-4-613](#) and [28-4-615](#).

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

(3) The provisions of this subsection are subject to the provisions of subsection (5) of this section and to section [28-4-623](#). With respect to a payment order issued to a receiving bank other than the beneficiary's bank, acceptance of the order by the receiving bank obliges the sender to pay the bank the amount of the sender's order. Payment by the sender is not due until the execution date of the sender's order. The obligation of that sender to pay its payment order is excused if the funds transfer is not completed by acceptance by the beneficiary's bank of a payment order instructing payment to the beneficiary of that sender's payment order.

(4) If the sender of a payment order pays the order and was not obliged to pay all or part of the amount paid, the bank receiving payment is obliged to refund payment to the extent the sender was not obliged to pay. Except as provided in sections [28-4-612](#) and [28-4-624](#), interest is payable on the refundable amount from the date of payment.

(5) If a funds transfer is not completed as stated in subsection (3) of this section and an intermediary bank is obliged to refund payment as stated in subsection (4) of this section but is unable to do so because it is not permitted by applicable law or because the bank suspends payments, a sender in the funds transfer that executed a payment order in compliance with an instruction, as stated in section [28-4-622](#) (1) (a), to route the funds transfer through that intermediary bank is entitled to receive or retain payment from the sender of the payment order that it accepted. The first sender in the funds transfer that issued an instruction requiring routing through that intermediary bank is subrogated to the right of the bank that paid the intermediary bank to refund as stated in subsection (4) of this section.

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

[28-4-627, added 1991, ch. 135, sec. 1, p. 310.]

28-4-628. PAYMENT BY SENDER TO RECEIVING BANK. (1) Payment of the sender's obligation under section [28-4-627](#) to pay the receiving bank occurs as follows:

(a) If the sender is a bank, payment occurs when the receiving bank receives final settlement of the obligation through a Federal Reserve bank or through a funds-transfer system.

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

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

(2) If the sender and receiving bank are members of a funds-transfer system that nets obligations multilaterally among participants, the receiving bank receives final settlement when settlement is complete in accordance with the rules of the system. The obligation of the sender to pay the amount of a payment order transmitted through the funds-transfer system may be satisfied, to the extent permitted by the rules of the system, by setting off and applying against the sender's obligation the right of the sender to receive payment from the receiving bank of the amount of any other payment order transmitted to the sender by the receiving bank through the funds-transfer system. The aggregate balance of obligations owed by each sender to each receiving bank in the funds-transfer system may be satisfied, to the extent permitted by the rules of the system, by setting off and applying against that balance the aggregate balance of obligations owed to the sender by other members of the system. The aggregate balance is determined after the right of setoff stated in the second sentence of this subsection has been exercised.

(3) If two (2) banks transmit payment orders to each other under an agreement that settlement of the obligations of each bank to the other under section [28-4-627](#) will be made at the end of the day or other period, the total amount owed with respect to all orders transmitted by one (1) bank shall be set off against the total amount owed with respect to all orders transmitted by the other bank. To the extent of the setoff, each bank has made payment to the other.

(4) In a case not covered by subsection (1) of this section, the time when payment of the sender's obligation under section [28-4-627](#) (2) or (3) occurs is governed by applicable principles of law that determine when an obligation is satisfied.

[28-4-628, added 1991, ch. 135, sec. 1, p. 311.]

28-4-629. OBLIGATION OF BENEFICIARY'S BANK TO PAY AND GIVE NOTICE TO BENEFICIARY. (1) Subject to sections [28-4-619](#) (5), [28-4-630](#) (4) and (5), if a beneficiary's bank accepts a payment order, the bank is obliged to pay the amount of the order to the beneficiary of the order. Payment is due on the payment date of the order, but if acceptance occurs on the payment date after the close of the funds-transfer business day of the bank, payment is due on the next funds-transfer business day. If the bank refuses to pay after demand by the beneficiary and receipt of notice of particular circumstances that will give rise to consequential damages as a result of nonpayment, the beneficiary may recover damages resulting from the refusal to pay to the extent the bank had notice of the damages, unless the bank proves that it did not pay because of a reasonable doubt concerning the right of the beneficiary to payment.

(2) If a payment order accepted by the beneficiary's bank instructs payment to an account of the beneficiary, the bank is obliged to notify the beneficiary of receipt of the order before midnight of the next funds-trans-

fer business day following the payment date. If the payment order does not instruct payment to an account of the beneficiary, the bank is required to notify the beneficiary only if notice is required by the order. Notice may be given by first class mail or any other means reasonable in the circumstances. If the bank fails to give the required notice, the bank is obliged to pay interest to the beneficiary on the amount of the payment order from the day notice should have been given until the day the beneficiary learned of receipt of the payment order by the bank. No other damages are recoverable. Reasonable attorney's fees are also recoverable if demand for interest is made and refused before an action is brought on the claim.

(3) The right of a beneficiary to receive payment and damages as stated in subsection (1) of this section may not be varied by agreement or a funds-transfer system rule. The right of a beneficiary to be notified as stated in subsection (2) of this section may be varied by agreement of the beneficiary or by a funds-transfer system rule if the beneficiary is notified of the rule before initiation of the funds transfer.

[28-4-629, added 1991, ch. 135, sec. 1, p. 312.]

28-4-630. PAYMENT BY BENEFICIARY'S BANK TO BENEFICIARY. (1) If the beneficiary's bank credits an account of the beneficiary of a payment order, payment of the bank's obligation under section [28-4-629](#)(1) occurs when and to the extent:

- (a) the beneficiary is notified of the right to withdraw the credit,
- (b) the bank lawfully applies the credit to a debt of the beneficiary,
- or
- (c) funds with respect to the order are otherwise made available to the beneficiary by the bank.

(2) If the beneficiary's bank does not credit an account of the beneficiary of a payment order, the time when payment of the bank's obligation under section [28-4-629](#)(1) occurs is governed by principles of law that determine when an obligation is satisfied.

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

(4) A funds-transfer system rule may provide that payments made to beneficiaries of funds transfers made through the system are provisional until receipt of payment by the beneficiary's bank of the payment order it accepted. A beneficiary's bank that makes a payment that is provisional under the rule is entitled to refund from the beneficiary if:

- (a) the rule requires that both the beneficiary and the originator be given notice of the provisional nature of the payment before the funds transfer is initiated,
- (b) the beneficiary, the beneficiary's bank and the originator's bank agreed to be bound by the rule, and
- (c) the beneficiary's bank did not receive payment of the payment order that it accepted.

If the beneficiary is obliged to refund payment to the beneficiary's bank, acceptance of the payment order by the beneficiary's bank is nullified and no payment by the originator of the funds transfer to the beneficiary occurs under section [28-4-631](#).

(5) The provisions of this subsection apply to a funds transfer that includes a payment order transmitted over a funds-transfer system that:

- (a) nets obligations multilaterally among participants, and
- (b) has in effect a loss-sharing agreement among participants for the purpose of providing funds necessary to complete settlement of the obligations of one (1) or more participants that do not meet their settlement obligations. If the beneficiary's bank in the funds transfer accepts a payment order and the system fails to complete settlement pursuant to its rules with respect to any payment order in the funds transfer,
 - (i) the acceptance by the beneficiary's bank is nullified and no person has any right or obligation based on the acceptance,
 - (ii) the beneficiary's bank is entitled to recover payment from the beneficiary,
 - (iii) no payment by the originator to the beneficiary occurs under section [28-4-631](#), and
 - (iv) subject to section [28-4-627](#)(5), each sender in the funds transfer is excused from its obligation to pay its payment order under section [28-4-627](#)(3) because the funds transfer has not been completed.

[28-4-630, added 1991, ch. 135, sec. 1, p. 313.]

28-4-631. PAYMENT BY ORIGINATOR TO BENEFICIARY -- DISCHARGE OF UNDERLYING OBLIGATION. (1) Subject to the provisions of sections [28-4-619](#)(5), [28-4-630](#)(4) and (5), the originator of a funds transfer pays the beneficiary of the originator's payment order:

- (a) at the time a payment order for the benefit of the beneficiary is accepted by the beneficiary's bank in the funds transfer, and
 - (b) in an amount equal to the amount of the order accepted by the beneficiary's bank, but not more than the amount of the originator's order.
- (2) If payment under subsection (1) of this section is made to satisfy an obligation, the obligation is discharged to the same extent discharge would result from payment to the beneficiary of the same amount in money, unless:
- (a) the payment under subsection (1) of this section was made by a means prohibited by the contract of the beneficiary with respect to the obligation,
 - (b) the beneficiary, within a reasonable time after receiving notice of receipt of the order by the beneficiary's bank, notified the originator of the beneficiary's refusal of the payment,
 - (c) funds with respect to the order were not withdrawn by the beneficiary or applied to a debt of the beneficiary, and
 - (d) the beneficiary would suffer a loss that could reasonably have been avoided if payment had been made by a means complying with the contract.

If payment by the originator does not result in discharge under this section, the originator is subrogated to the rights of the beneficiary to receive payment from the beneficiary's bank under section [28-4-629](#)(1).

(3) For the purpose of determining whether discharge of an obligation occurs under subsection (2) of this section, if the beneficiary's bank accepts a payment order in an amount equal to the amount of the originator's payment order less charges of one (1) or more receiving banks in the funds transfer, payment to the beneficiary is deemed to be in the amount of the

originator's order unless upon demand by the beneficiary the originator does not pay the beneficiary the amount of the deducted charges.

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

[28-4-631, added 1991, ch. 135, sec. 1, p. 314.]

28-4-632. VARIATION BY AGREEMENT AND EFFECT OF FUNDS-TRANSFER SYSTEM RULE. (1) Except as otherwise provided in this part, the rights and obligations of a party to a funds transfer may be varied by agreement of the affected party.

(2) "Funds-transfer system rule" means a rule of an association of banks:

(a) governing transmission of payment orders by means of a funds-transfer system of the association or rights and obligations with respect to those orders, or

(b) to the extent the rule governs rights and obligations between banks that are parties to a funds transfer in which a Federal Reserve bank, acting as an intermediary bank, sends a payment order to the beneficiary's bank.

Except as otherwise provided in this part, a funds-transfer system rule governing rights and obligations between participating banks using the system may be effective even if the rule conflicts with this part and indirectly affects another party to the funds transfer who does not consent to the rule. A funds-transfer system rule may also govern rights and obligations of parties other than participating banks using the system to the extent stated in sections [28-4-629](#) (3), [28-4-630](#) (4), and [28-4-638](#) (3).

[28-4-632, added 1991, ch. 135, sec. 1, p. 315.]

28-4-633. CREDITOR PROCESS SERVED ON RECEIVING BANK -- SETOFF BY BENEFICIARY'S BANK. (1) As used in this section, "creditor process" means levy, attachment, garnishment, notice of lien, sequestration, or similar process issued by or on behalf of a creditor or other claimant with respect to an account.

(2) The provisions of this subsection apply to creditor process with respect to an authorized account of the sender of a payment order if the creditor process is served on the receiving bank. For the purpose of determining rights with respect to the creditor process, if the receiving bank accepts the payment order the balance in the authorized account is deemed to be reduced by the amount of the payment order to the extent the bank did not otherwise receive payment of the order, unless the creditor process is served at a time and in a manner affording the bank a reasonable opportunity to act on it before the bank accepts the payment order.

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

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

(b) The bank may credit the beneficiary's account and allow withdrawal of the amount credited unless creditor process with respect to the ac-

count is served at a time and in a manner affording the bank a reasonable opportunity to act to prevent withdrawal.

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

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

[28-4-633, added 1991, ch. 135, sec. 1, p. 315.]

28-4-634. INJUNCTION OR RESTRAINING ORDER WITH RESPECT TO FUNDS TRANSFER. For proper cause and in compliance with applicable law, a court may restrain:

- (1) A person from issuing a payment order to initiate a funds transfer,
- (2) An originator's bank from executing the payment order of the originator, or
- (3) The beneficiary's bank from releasing funds to the beneficiary or the beneficiary from withdrawing the funds.

A court may not otherwise restrain a person from issuing a payment order, paying or receiving payment of a payment order, or otherwise acting with respect to a funds transfer.

[28-4-634, added 1991, ch. 135, sec. 1, p. 316.]

28-4-635. ORDER IN WHICH ITEMS AND PAYMENT ORDERS MAY BE CHARGED TO ACCOUNT -- ORDER OF WITHDRAWALS FROM ACCOUNT. (1) If a receiving bank has received more than one (1) payment order of the sender or one (1) or more payment orders and other items that are payable from the sender's account, the bank may charge the sender's account with respect to the various orders and items in any sequence.

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

[28-4-635, added 1991, ch. 135, sec. 1, p. 316.]

28-4-636. PRECLUSION OF OBJECTION TO DEBIT OF CUSTOMER'S ACCOUNT. If a receiving bank has received payment from its customer with respect to a payment order issued in the name of the customer as sender and accepted by the bank, and the customer received notification reasonably identifying the order, the customer is precluded from asserting that the bank is not entitled to retain the payment unless the customer notifies the bank of the customer's objection to the payment within one (1) year after the notification was received by the customer.

[28-4-636, added 1991, ch. 135, sec. 1, p. 316.]

28-4-637. RATE OF INTEREST. (1) If, under this part, a receiving bank is obliged to pay interest with respect to a payment order issued to the bank, the amount payable may be determined:

- (a) by agreement of the sender and receiving bank, or
- (b) by a funds-transfer system rule if the payment order is transmitted through a funds-transfer system.

(2) If the amount of interest is not determined by an agreement or rule as stated in subsection (1) of this section, the amount is calculated by multiplying the applicable federal funds rate by the amount on which interest is payable, and then multiplying the product by the number of days for which interest is payable. The applicable federal funds rate is the average of the federal funds rates published by the Federal Reserve bank of New York for each of the days for which interest is payable divided by three hundred and sixty (360). The federal funds rate for any day on which a published rate is not available is the same as the published rate for the next preceding day for which there is a published rate. If a receiving bank that accepted a payment order is required to refund payment to the sender of the order because the funds transfer was not completed, but the failure to complete was not due to any fault by the bank, the interest payable is reduced by a percentage equal to the reserve requirement on deposits of the receiving bank.

[28-4-637, added 1991, ch. 135, sec. 1, p. 316.]

28-4-638. CHOICE OF LAW. (1) The following rules apply unless the affected parties otherwise agree or the provisions of subsection (3) of this section apply:

- (a) The rights and obligations between the sender of a payment order and the receiving bank are governed by the law of the jurisdiction in which the receiving bank is located.
- (b) The rights and obligations between the beneficiary's bank and the beneficiary are governed by the law of the jurisdiction in which the beneficiary's bank is located.
- (c) The issue of when payment is made pursuant to a funds transfer by the originator to the beneficiary is governed by the law of the jurisdiction in which the beneficiary's bank is located.

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

(3) A funds-transfer system rule may select the law of a particular jurisdiction to govern:

- (a) rights and obligations between participating banks with respect to payment orders transmitted or processed through the system, or
- (b) the rights and obligations of some or all parties to a funds transfer any part of which is carried out by means of the system.

A choice of law made pursuant to paragraph (a) of this subsection is binding on participating banks. A choice of law made pursuant to paragraph (b) of this subsection is binding on the originator, other sender, or a receiving bank having notice that the funds-transfer system might be used in the funds transfer and of the choice of law by the system when the originator, other sender, or receiving bank issued or accepted a payment order. The beneficiary of a funds transfer is bound by the choice of law if, when the funds transfer is initiated, the beneficiary has notice that the funds-transfer system might be used in the funds transfer and of the choice of law by the system. The law of a jurisdiction selected pursuant to this subsection may

govern, whether or not that law bears a reasonable relation to the matter in issue.

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

(5) If a funds transfer is made by use of more than one (1) funds-transfer system and there is inconsistency between choice-of-law rules of the systems, the matter in issue is governed by the law of the selected jurisdiction that has the most significant relationship to the matter in issue.

[28-4-638, added 1991, ch. 135, sec. 1, p. 317.]