SENATE BILL 483

Short Title: UCC/Art. 4A.   (Public)

Sponsors: Senators Hartsell; and Soles.

Referred to: Judiciary II.

March 15, 1993

1   A BILL TO BE ENTITLED
2 AN ACT TO ENACT ARTICLE 4A OF THE UNIFORM COMMERCIAL CODE AS
3   RECOMMENDED BY THE GENERAL STATUTES COMMISSION.
4 The General Assembly of North Carolina enacts:
5   Section 1. Chapter 25 of the General Statutes is amended by adding the
6 following new Article to read:
7   **"ARTICLE 4A.**
8   **"FUNDS TRANSFERS.**
9   **"PART 1. SUBJECT MATTER AND DEFINITIONS.**
10 **"§ 25-4A-101. Short title.**
11   This Article may be cited as Uniform Commercial Code–Funds Transfers.
12 **"§ 25-4A-102. Subject matter.**
13   Except as otherwise provided in G.S. 25-4A-108, this Article applies to funds
14 transfers defined in G.S. 25-4A-104.
15 **"§ 25-4A-103. Payment order - definitions.**
16   (a)   In this Article:
17   (1)   'Payment order' means an instruction of a sender to a receiving bank,
18   transmitted orally, electronically, or in writing, to pay, or to cause
19   another bank to pay, a fixed or determinable amount of money to a
20   beneficiary if:
21   (i)   The instruction does not state a condition of payment to the
22   beneficiary other than time of payment,
23   (ii)   The receiving bank is to be reimbursed by debiting an account
24   of, or otherwise receiving payment from, the sender, and

1		(iii)	The instruction is transmitted by the sender directly to
2			the receiving bank or to an agent, funds-transfer
3			system, or communication system for transmittal to the
4			receiving bank.
5	(2)		'Beneficiary' means the person to be paid by the beneficiary's bank.

1   (iii)   The instruction is transmitted by the sender directly to
2   the receiving bank or to an agent, funds-transfer
3   system, or communication system for transmittal to the
4   receiving bank.
5 (2) 'Beneficiary' means the person to be paid by the beneficiary's bank.
6 (3) 'Beneficiary's bank' means the bank identified in a payment order in
7   which an account of the beneficiary is to be credited pursuant to the
8   order or which otherwise is to make payment to the beneficiary if the
9   order does not provide for payment to an account.
10 (4) 'Receiving bank' means the bank to which the sender's instruction is
11   addressed.
12 (5) 'Sender' means the person giving the instruction to the receiving bank.
13 (b) If an instruction complying with subsection (a)(1) is to make more than one
14 payment to a beneficiary, the instruction is a separate payment order with respect to
15 each payment.
16 (c) A payment order is issued when it is sent to the receiving bank.
17 **"§ 25-4A-104. Funds transfer - definitions.**
18 In this Article:
19 (a) 'Funds transfer' means the series of transactions, beginning with the
20 originator's payment order, made for the purpose of making payment to the beneficiary
21 of the order. The term includes any payment order issued by the originator's bank or an
22 intermediary bank intended to carry out the originator's payment order. A funds transfer
23 is completed by acceptance by the beneficiary's bank of a payment order for the benefit
24 of the beneficiary of the originator's payment order.
25 (b) 'Intermediary bank' means a receiving bank other than the originator's bank or
26 the beneficiary's bank.
27 (c) 'Originator' means the sender of the first payment order in a funds transfer.
28 (d) 'Originator's bank' means (i) the receiving bank to which the payment order of
29 the originator is issued if the originator is not a bank, or (ii) the originator if the
30 originator is a bank.
31 **"§ 25-4A-105. Other definitions.**
32 (a) In this Article:
33 (1) 'Authorized account' means a deposit account of a customer in a bank
34   designated by the customer as a source of payment of payment orders
35   issued by the customer to the bank. If a customer does not so
36   designate an account, any account of the customer is an authorized
37   account if payment of a payment order from that account is not
38   inconsistent with a restriction on the use of that account.
39 (2) 'Bank' means a person engaged in the business of banking and includes
40   a savings bank, savings and loan association, credit union, and trust
41   company. A branch or separate office of a bank is a separate bank for
42   purposes of this Article.
43 (3) 'Customer' means a person, including a bank, having an account with a
44   bank or from whom a bank has agreed to receive payment orders.

1   (4)   'Funds-transfer business day' of a receiving bank means the part of a
2   day during which the receiving bank is open for the receipt,
3   processing, and transmittal of payment orders and cancellations and
4   amendments of payment orders.
5   (5)   'Funds-transfer system' means a wire transfer network, automated
6   clearinghouse, or other communication system of a clearinghouse or
7   other association of banks through which a payment order by a bank
8   may be transmitted to the bank to which the order is addressed.
9   (6)   'Good faith' means honesty in fact and the observance of reasonable
10   commercial standards of fair dealing.
11   (7)   'Prove' with respect to a fact means to meet the burden of establishing
12   the fact (G.S. 25-1-201(8)).
13   (b)   Other definitions applying to this Article and the sections in which they
14 appear are:
15   'Acceptance'   G.S. 25-4A-209
16   'Beneficiary'   G.S. 25-4A-103
17   'Beneficiary's bank'   G.S. 25-4A-103
18   'Executed'G.S. 25-4A-301
19   'Execution date' G.S. 25-4A-301
20   'Funds transfer' G.S. 25-4A-104
21   'Funds-transfer system rule'   G.S. 25-4A-501
22   'Intermediary bank'   G.S. 25-4A-104
23   'Originator'   G.S. 25-4A-104
24   'Originator's bank   G.S. 25-4A-104
25   'Payment by beneficiary's bank to beneficiary'   G.S. 25-4A-405
26   'Payment by originator to beneficiary'G.S. 25-4A-406
27   'Payment by sender to receiving bank'G.S. 25-4A-403
28   'Payment date'   G.S. 25-4A-401
29   'Payment order'   G.S. 25-4A-103
30   'Receiving bank' G.S. 25-4A-103
31   'Security procedure'   G.S. 25-4A-201
32   'Sender'   G.S. 25-4A-103.
33   (c)   The following definitions in Article 4 apply to this Article:
34   'Clearing house' G.S. 25-4-104
35   'Item' G.S. 25-4-104
36   'Suspends payments'   G.S. 25-4-104.
37   (d)   In addition, Article 1 of this Chapter contains general definitions and
38 principles of construction and interpretation applicable throughout this Article.
39 **"§ 25-4A-106. Time payment order is received.**
40   (a)   The time of receipt of a payment order or communication cancelling or
41 amending a payment order is determined by the rules applicable to receipt of a notice
42 stated in G.S. 25-1-201(27). A receiving bank may fix a cutoff time or times on a
43 funds-transfer business day for the receipt and processing of payment orders and
44 communications cancelling or amending payment orders. Different cutoff times may

1   apply to payment orders, cancellations, or amendments, or to different categories of
2   payment orders, cancellations, or amendments. A cutoff time may apply to senders
3   generally or different cutoff times may apply to different senders or categories of
4   payment orders. If a payment order or communication cancelling or amending a
5   payment order is received after the close of a funds-transfer business day or after the
6   appropriate cutoff time on a funds-transfer business day, the receiving bank may treat
7   the payment order or communication as received at the opening of the next funds-
8   transfer business day.
9   (b)   If this Article refers to an execution date or payment date or states a day on
10 which a receiving bank is required to take action, and the date or day does not fall on a
11 funds-transfer business day, the next day that is a funds-transfer business day is treated
12 as the date or day stated, unless the contrary is stated in this Article.
13 "**§ 25-4A-107. Federal reserve regulations and operating circulars.**
14   Regulations of the Board of Governors of the Federal Reserve System and operating
15 circulars of the Federal Reserve Banks supersede any inconsistent provision of this
16 Article to the extent of the inconsistency.
17 "**§ 25-4A-108. Exclusion of consumer transactions governed by federal law.**
18   This Article does not apply to a funds transfer any part of which is governed by the
19 Electronic Fund Transfer Act of 1978 (Title XX, Public Law 95-630, 92 Stat. 3728, 15
20 U.S.C. § 1693 **et seq.**) as amended from time to time.
21   "**PART 2. ISSUE AND ACCEPTANCE OF PAYMENT ORDER.**
22 "**§ 25-4A-201. Security procedure.**
23   'Security procedure' means a procedure established by agreement of a customer and
24 a receiving bank for the purpose of (i)   verifying   that   a   payment   order   or
25 communication amending or cancelling a payment order is that of the customer, or (ii)
26 detecting error in the transmission or the content of the payment order or
27 communication. A security procedure may require the use of algorithms or other codes,
28 identifying words or numbers, encryption, call-back procedures, or similar security
29 devices. Comparison of a signature on a payment order or communication with an
30 authorized specimen signature of the customer is not by itself a security procedure.
31 "**§ 25-4A-202. Authorized and verified payment orders.**
32   (a)   A payment order received by the receiving bank is the authorized order of the
33 person identified as sender if that person authorized the order or is otherwise bound by
34 it under the law of agency.
35   (b)   If a bank and its customer have agreed that the authenticity of payment orders
36 issued to the bank in the name of the customer as sender will be verified pursuant to a
37 security procedure, a payment order received by the receiving bank is effective as the
38 order of the customer, whether or not authorized, if (i) the security procedure is a
39 commercially reasonable method of providing security against unauthorized payment
40 orders, and (ii) the bank proves that it accepted the payment order in good faith and in
41 compliance with the security procedure and any written agreement or instruction of the
42 customer restricting acceptance of payment orders issued in the name of the customer.
43 The bank is not required to follow an instruction that violates a written agreement with

1   the customer or notice of which is not received at a time and in a manner affording the
2   bank a reasonable opportunity to act on it before the payment order is accepted.
3   (c)   Commercial reasonableness of a security procedure is a question of law to be
4   determined by considering the wishes of the customer expressed to the bank, the
5   circumstances of the customer known to the bank, including the size, type, and
6   frequency of payment orders normally issued by the customer to the bank, alternative
7   security procedures offered to the customer, and security procedures in general use by
8   customers and receiving banks similarly situated. A security procedure is deemed to be
9   commercially reasonable if (i) the security procedure was chosen by the customer after
10   the bank offered, and the customer refused, a security procedure that was commercially
11   reasonable for that customer, and (ii) the customer expressly agreed in writing to be
12   bound by any payment order, whether or not authorized, issued in its name and accepted
13   by the bank in compliance with the security procedure chosen by the customer.
14   (d)   The term 'sender' in this Article includes the customer in whose name a
15   payment order is issued if the order is the authorized order of the customer under
16   subsection (a), or it is effective as the order of the customer under subsection (b).
17   (e)   This section applies to amendments and cancellations of payment orders to
18   the same extent it applies to payment orders.
19   (f)   Except as provided in this section and in G.S. 25-4A-203(a)(1), rights and
20   obligations arising under this section or G.S. 25-4A-203 may not be varied by
21   agreement.
22   "**§ 25-4A-203. Unenforceability of certain verified payment orders.**
23   (a)   If an accepted payment order is not, under G.S. 25-4A-202(a), an authorized
24   order of a customer
25   identified as sender, but is effective as an order of the customer pursuant to G.S. 25-4A-
26   202(b), the following rules apply:
27   (1)   By express written agreement, the receiving bank may limit the extent
28   to which it is entitled to enforce or retain payment of the payment
29   order.
30   (2)   The receiving bank is not entitled to enforce or retain payment of the
31   payment order if the customer proves that the order was not caused,
32   directly or indirectly, by a person (i) entrusted at any time with duties
33   to act for the customer with respect to payment orders or the security
34   procedure, or (ii) who obtained access to transmitting facilities of the
35   customer or who obtained, from a source controlled by the customer
36   and without authority of the receiving bank, information facilitating
37   breach of the security procedure, regardless of how the information
38   was obtained or whether the customer was at fault. Information
39   includes any access device, computer software, or the like.
40   (b)   This section applies to amendments of payment orders to the same extent it
41   applies to payment orders.
42   "**§ 25-4A-204. Refund of payment and duty of customer to report with respect to**
43   **unauthorized payment order.**

1　　(a)　If a receiving bank accepts a payment order issued in the name of its
2　customer as sender which is (i) not authorized and not effective as the order of the
3　customer under G.S. 25-4A-202, or (ii) not enforceable, in whole or in part, against the
4　customer under G.S. 25-4A-203, the bank shall refund any payment of the payment
5　order received from the customer to the extent the bank is not entitled to enforce
6　payment and shall pay interest on the refundable amount calculated from the date the
7　bank received payment to the date of the refund. However, the customer is not entitled
8　to interest from the bank on the amount to be refunded if the customer fails to exercise
9　ordinary care to determine that the order was not authorized by the customer and to
10　notify the bank of the relevant facts within a reasonable time not exceeding 90 days
11　after the date the customer received notification from the bank that the order was
12　accepted or that the customer's account was debited with respect to the order. The bank
13　is not entitled to any recovery from the customer on account of a failure by the customer
14　to give notification as stated in this section.
15　　(b)　Reasonable time under subsection (a) may be fixed by agreement as stated in
16　G.S. 25-1-204(1), but the obligation of a receiving bank to refund payment as stated in
17　subsection (a) may not otherwise be varied by agreement.
18　**"§ 25-4A-205. Erroneous payment orders.**
19　　(a)　If an accepted payment order was transmitted pursuant to a security
20　procedure for the detection of error and the payment order (i) erroneously instructed
21　payment to a beneficiary not intended by the sender, (ii) erroneously instructed payment
22　in an amount greater than the amount intended by the sender, or (iii) was an erroneously
23　transmitted duplicate of a payment order previously sent by the sender, the following
24　rules apply:
25　　　　(1)　If the sender proves that the sender or a person acting on behalf of the
26　　　　　　　sender pursuant to G.S. 25-4A-206 complied with the security
27　　　　　　　procedure and that the error would have been detected if the receiving
28　　　　　　　bank had also complied, the sender is not obliged to pay the order to
29　　　　　　　the extent stated in paragraphs (2) and (3).
30　　　　(2)　If the funds transfer is completed on the basis of an erroneous payment
31　　　　　　　order described in clause (i) or (iii) of subsection (a), the sender is not
32　　　　　　　obliged to pay the order and the receiving bank is entitled to recover
33　　　　　　　from the beneficiary any amount paid to the beneficiary to the extent
34　　　　　　　allowed by the law governing mistake and restitution.
35　　　　(3)　If the funds transfer is completed on the basis of a payment order
36　　　　　　　described in clause (ii) of subsection (a), the sender is not obliged to
37　　　　　　　pay the order to the extent the amount received by the beneficiary is
38　　　　　　　greater than the amount intended by the sender. In that case, the
39　　　　　　　receiving bank is entitled to recover from the beneficiary the excess
40　　　　　　　amount received to the extent allowed by the law governing mistake
41　　　　　　　and restitution.
42　　(b)　If (i) the sender of an erroneous payment order described in subsection (a) is
43　not obliged to pay all or part of the order, and (ii) the sender receives notification from
44　the receiving bank that the order was accepted by the bank or that the sender's account

1   was debited with respect to the order, the sender has a duty to exercise ordinary care, on
2   the basis of information available to the sender, to discover the error with respect to the
3   order and to advise the bank of the relevant facts within a reasonable time, not
4   exceeding 90 days, after the bank's notification was received by the sender. If the bank
5   proves that the sender failed to perform that duty, the sender is liable to the bank for the
6   loss the bank proves it incurred as a result of the failure, but the liability of the sender
7   may not exceed the amount of the sender's order.
8   (c)   This section applies to amendments to payment orders to the same extent it
9   applies to payment orders.
10   "**§ 25-4A-206.   Transmission of payment order through funds-transfer or other**
11   **communication system.**
12   (a)   If a payment order addressed to a receiving bank is transmitted to a funds-
13   transfer system or other third-party communication system for transmittal to the bank,
14   the system is deemed to be an agent of the sender for the purpose of transmitting the
15   payment order to the bank. If there is a discrepancy between the terms of the payment
16   order transmitted to the system and the terms of the payment order transmitted by the
17   system to the bank, the terms of the payment order of the sender are those transmitted
18   by the system. This section does not apply to a funds-transfer system of the Federal
19   Reserve Banks.
20   (b)   This section applies to cancellations and amendments of payment orders to
21   the same extent it applies to payment orders.
22   "**§ 25-4A-207. Misdescription of beneficiary.**
23   (a)   Subject to subsection (b), if, in a payment order received by the beneficiary's
24   bank, the name, bank account number, or other identification of the beneficiary refers to
25   a nonexistent or unidentifiable person or account, no person has rights as a beneficiary
26   of the order and acceptance of the order cannot occur.
27   (b)   If a payment order received by the beneficiary's bank identifies the
28   beneficiary both by name and by an identifying or bank account number and the name
29   and number identify different persons, the following rules apply:
30   (1)   Except as otherwise provided in subsection (c), if the beneficiary's
31   bank does not know that the name and number refer to different
32   persons, it may rely on the number as the proper identification of the
33   beneficiary of the order. The beneficiary's bank need not determine
34   whether the name and number refer to the same person.
35   (2)   If the beneficiary's bank pays the person identified by name or knows
36   that the name and number identify different persons, no person has
37   rights as beneficiary except the person paid by the beneficiary's bank if
38   that person was entitled to receive payment from the originator of the
39   funds transfer. If no person has rights as beneficiary, acceptance of the
40   order cannot occur.
41   (c)   If (i) a payment order described in subsection (b) is accepted, (ii) the
42   originator's payment order described the beneficiary inconsistently by name and
43   number, and (iii) the beneficiary's bank pays the person identified by number as
44   permitted by subsection (b)(1), the following rules apply:

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

2   (2)   If the originator is not a bank and proves that the person identified by

3   number was not entitled to receive payment from the originator, the

4   originator is not obliged to pay its order unless the originator's bank

5   proves that the originator, before acceptance of the originator's order,

6   had notice that payment of a payment order issued by the originator

7   might be made by the beneficiary's bank on the basis of an identifying

8   or bank account number even if it identifies a person different from the

9   named beneficiary. Proof of notice may be made by any admissible

10   evidence. The originator's bank satisfies the burden of proof if it

11   proves that the originator, before the payment order was accepted,

12   signed a writing stating the information to which the notice relates.

13   (d)   In a case governed by subsection (b)(1), if the beneficiary's bank rightfully

14 pays the person identified by number and that person was not entitled to receive

15 payment from the originator, the amount paid may be recovered from that person to the

16 extent allowed by the law governing mistake and restitution as follows:

17   (1)   If the originator is obliged to pay its payment order as stated in

18   subsection (c), the originator has the right to recover.

19   (2)   If the originator is not a bank and is not obliged to pay its payment

20   order, the originator's bank has the right to recover.

21 **"§ 25-4A-208. Misdescription of intermediary bank or beneficiary's bank.**

22   (a)   This subsection applies to a payment order identifying an intermediary bank

23 or the beneficiary's bank only by an identifying number.

24   (1)   The receiving bank may rely on the number as the proper identification

25   of the intermediary or beneficiary's bank and need not determine

26   whether the number identifies a bank.

27   (2)   The sender is obliged to compensate the receiving bank for any loss

28   and expenses incurred by the receiving bank as a result of its reliance

29   on the number in executing or attempting to execute the order.

30   (b)   This subsection applies to a payment order identifying an intermediary bank

31 or the beneficiary's bank both by name and an identifying number if the name and

32 number identify different persons.

33   (1)   If the sender is a bank, the receiving bank may rely on the number as

34   the proper identification of the intermediary or beneficiary's bank if the

35   receiving bank, when it executes the sender's order, does not know that

36   the name and number identify different persons. The receiving bank

37   need not determine whether the name and number refer to the same

38   person or whether the number refers to a bank. The sender is obliged

39   to compensate the receiving bank for any loss and expenses incurred

40   by the receiving bank as a result of its reliance on the number in

41   executing or attempting to execute the order.

42   (2)   If the sender is not a bank and the receiving bank proves that the

43   sender, before the payment order was accepted, had notice that the

44   receiving bank might rely on the number as the proper identification of

1		the intermediary or beneficiary's bank even if it identifies a person
2		different from the bank identified by name, the rights and obligations
3		of the sender and the receiving bank are governed by subsection (b)(1),
4		as though the sender were a bank. Proof of notice may be made by
5		any admissible evidence. The receiving bank satisfies the burden of
6		proof if it proves that the sender, before the payment order was
7		accepted, signed a writing stating the information to which the notice
8		relates.
9	(3)	Regardless of whether the sender is a bank, the receiving bank may
10		rely on the name as the proper identification of the intermediary or
11		beneficiary's bank if the receiving bank, at the time it executes the
12		sender's order, does not know that the name and number identify
13		different persons. The receiving bank need not determine whether the
14		name and number refer to the same person.
15	(4)	If the receiving bank knows that the name and number identify
16		different persons, reliance on either the name or the number in
17		executing the sender's payment order is a breach of the obligation
18		stated in G.S. 25-4A-302(a)(1).

19 **"§ 25-4A-209. Acceptance of payment order.**

20   (a)   Subject to subsection (d), a receiving bank other than the beneficiary's bank
21 accepts a payment order when it executes the order.

22   (b)   Subject to subsections (c) and (d), a beneficiary's bank accepts a payment
23 order at the earliest of the following times:

24	(1)	When the bank (i) pays the beneficiary as stated in G.S. 25-4A-405(a)
25		or G.S. 25-4A-405(b), or (ii) notifies the beneficiary of receipt of the
26		order or that the account of the beneficiary has been credited with
27		respect to the order unless the notice indicates that the bank is rejecting
28		the order or that funds with respect to the order may not be withdrawn
29		or used until receipt of payment from the sender of the order;
30	(2)	When the bank receives payment of the entire amount of the sender's
31		order pursuant to G.S. 25-4A-403(a)(1) or G.S. 25-4A-403(a)(2); or
32	(3)	The opening of the next funds-transfer business day of the bank
33		following the payment date of the order if, at that time, the amount of
34		the sender's order is fully covered by a withdrawable credit balance in
35		an authorized account of the sender or the bank has otherwise received
36		full payment from the sender, unless the order was rejected before that
37		time or is rejected within (i) one hour after that time, or (ii) one hour
38		after the opening of the next business day of the sender following the
39		payment date if that time is later. If notice of rejection is received by
40		the sender after the payment date and the authorized account of the
41		sender does not bear interest, the bank is obliged to pay interest to the
42		sender on the amount of the order for the number of days elapsing after
43		the payment date to the day the sender receives notice or learns that the
44		order was not accepted, counting that day as an elapsed day. If the

1   withdrawable credit balance during that period falls below the amount
2   of the order, the amount of interest payable is reduced accordingly.
3   (c)   Acceptance of a payment order cannot occur before the order is received by
4 the receiving bank. Acceptance does not occur under subsection (b)(2) or (b)(3) if the
5 beneficiary of the payment order does not have an account with the receiving bank, the
6 account has been closed, or the receiving bank is not permitted by law to receive credits
7 for the beneficiary's account.
8   (d)   A payment order issued to the originator's bank cannot be accepted until the
9 payment date if the bank is the beneficiary's bank, or the execution date if the bank is
10 not the beneficiary's bank. If the originator's bank executes the originator's payment
11 order before the execution date or pays the beneficiary of the originator's payment order
12 before the payment date and the payment order is subsequently cancelled pursuant to
13 G.S. 25-4A-211(b), the bank may recover from the beneficiary any payment received to
14 the extent allowed by the law governing mistake and restitution.
15 "**§ 25-4A-210. Rejection of payment order.**
16   (a)   A payment order is rejected by the receiving bank by a notice of rejection
17 transmitted to the sender orally, electronically, or in writing. A notice of rejection need
18 not use any particular words and is sufficient if it indicates that the receiving bank is
19 rejecting the order or will not execute or pay the order. Rejection is effective when the
20 notice is given if transmission is by a means that is reasonable in the circumstances. If
21 notice of rejection is given by a means that is not reasonable, rejection is effective when
22 the notice is received. If an agreement of the sender and receiving bank establishes the
23 means to be used to reject a payment order, (i) any means complying with the
24 agreement is reasonable and (ii) any means not complying is not reasonable unless no
25 significant delay in receipt of the notice resulted from the use of the noncomplying
26 means.
27   (b)   This subsection applies if a receiving bank other than the beneficiary's bank
28 fails to execute a payment order despite the existence on the execution date of a
29 withdrawable credit balance in an authorized account of the sender sufficient to cover
30 the order. If the sender does not receive notice of rejection of the order on the execution
31 date and the authorized account of the sender does not bear interest, the bank is obliged
32 to pay interest to the sender on the amount of the order for the number of days elapsing
33 after the execution date to the earlier of the day the order is cancelled pursuant to G.S.
34 25-4A-211(d) or the day the sender receives notice or learns that the order was not
35 executed, counting the final day of the period as an elapsed day. If the withdrawable
36 credit balance during that period falls below the amount of the order, the amount of
37 interest is reduced accordingly.
38   (c)   If a receiving bank suspends payments, all unaccepted payment orders issued
39 to it are deemed rejected at the time the bank suspends payments.
40   (d)   Acceptance of a payment order precludes a later rejection of the order.
41 Rejection of a payment order precludes a later acceptance of the order.
42 "**§ 25-4A-211. Cancellation and amendment of payment order.**
43   (a)   A communication of the sender of a payment order cancelling or amending
44 the order may be transmitted to the receiving bank orally, electronically, or in writing.

1   If a security procedure is in effect between the sender and the receiving bank, the
2   communication is not effective to cancel or amend the order unless the communication
3   is verified pursuant to the security procedure or the bank agrees to the cancellation or
4   amendment.
5   (b)   Subject to subsection (a), a communication by the sender cancelling or
6   amending a payment order is effective to cancel or amend the order if notice of the
7   communication is received at a time and in a manner affording the receiving bank a
8   reasonable opportunity to act on the communication before the bank accepts the
9   payment order.
10   (c)   After a payment order has been accepted, cancellation or amendment of the
11   order is not effective unless the receiving bank agrees or a funds-transfer system rule
12   allows cancellation or amendment without agreement of the bank.
13   (1)   With respect to a payment order accepted by a receiving bank other
14   than the beneficiary's bank, cancellation or amendment is not effective
15   unless a conforming cancellation or amendment of the payment order
16   issued by the receiving bank is also made.
17   (2)   With respect to a payment order accepted by the beneficiary's bank,
18   cancellation or amendment is not effective unless the order was issued
19   in execution of an unauthorized payment order, or because of a
20   mistake by a sender in the funds transfer which resulted in the issuance
21   of a payment order (i) that is a duplicate of a payment order previously
22   issued by the sender, (ii) that orders payment to a beneficiary not
23   entitled to receive payment from the originator, or (iii) that orders
24   payment in an amount greater than the amount the beneficiary was
25   entitled to receive from the originator. If the payment order is
26   cancelled or amended, the beneficiary's bank is entitled to recover
27   from the beneficiary any amount paid to the beneficiary to the extent
28   allowed by the law governing mistake and restitution.
29   (d)   An unaccepted payment order is cancelled by operation of law at the close of
30   the fifth funds-transfer business day of the receiving bank after the execution date or
31   payment date of the order.
32   (e)   A cancelled payment order cannot be accepted. If an accepted payment order
33   is cancelled, the acceptance is nullified and no person has any right or obligation based
34   on the acceptance. Amendment of a payment order is deemed to be cancellation of the
35   original order at the time of amendment and issue of a new payment order in the
36   amended form at the same time.
37   (f)   Unless otherwise provided in an agreement of the parties or in a funds-
38   transfer system rule, if the receiving bank, after accepting a payment order, agrees to
39   cancellation or amendment of the order by the sender or is bound by a funds-transfer
40   system rule allowing cancellation or amendment without the bank's agreement, the
41   sender, whether or not cancellation or amendment is effective, is liable to the bank for
42   any loss and expenses, including reasonable attorneys' fees, incurred by the bank as a
43   result of the cancellation or amendment or attempted cancellation or amendment.

1 (g)   A payment order is not revoked by the death or legal incapacity of the sender
2 unless the receiving bank knows of the death or of an adjudication of incapacity by a
3 court of competent jurisdiction and has reasonable opportunity to act before acceptance
4 of the order.
5 (h)   A funds-transfer system rule is not effective to the extent it conflicts with
6 subsection (c)(2).
7 "§ 25-4A-212. **Liability and duty of receiving bank regarding unaccepted payment**
8   **order.**
9 If a receiving bank fails to accept a payment order that it is obliged by express
10 agreement to accept, the bank is liable for breach of the agreement to the extent
11 provided in the agreement or in this Article, but does not otherwise have any duty to
12 accept a payment order or, before acceptance, to take any action, or refrain from taking
13 action, with respect to the order except as provided in this Article or by express
14 agreement. Liability based on acceptance arises only when acceptance occurs as stated
15 in G.S. 25-4A-209, and liability is limited to that provided in this Article. A receiving
16 bank is not the agent of the sender or beneficiary of the payment order it accepts, or of
17 any other party to the funds transfer, and the bank owes no duty to any party to the
18 funds transfer except as provided in this Article or by express agreement.
19 **"PART 3. EXECUTION OF SENDER'S PAYMENT ORDER BY RECEIVING**
20   **BANK.**
21 "§ 25-4A-301. **Execution and execution date.**
22 (a)   A payment order is 'executed' by the receiving bank when it issues a payment
23 order intended to carry out the payment order received by the bank. A payment order
24 received by the beneficiary's bank can be accepted but cannot be executed.
25 (b)   'Execution date' of a payment order means the day on which the receiving
26 bank may properly issue a payment order in execution of the sender's order. The
27 execution date may be determined by instruction of the sender but cannot be earlier than
28 the day the order is received and, unless otherwise determined, is the day the order is
29 received. If the sender's instruction states a payment date, the execution date is the
30 payment date or an earlier date on which execution is reasonably necessary to allow
31 payment to the beneficiary on the payment date.
32 "§ 25-4A-302. **Obligations of receiving bank in execution of payment order.**
33 (a)   Except as provided in subsections (b) through (d), if the receiving bank
34 accepts a payment order
35 pursuant to G.S. 25-4A-209 (a), the bank has the following obligations in executing the
36 order:
37   (1)   The receiving bank is obliged to issue, on the execution date, a
38   payment order complying with the sender's order and to follow the
39   sender's instructions concerning (i) any intermediary bank or funds-
40   transfer system to be used in carrying out the funds transfer, or (ii) the
41   means by which payment orders are to be transmitted in the funds
42   transfer. If the originator's bank issues a payment order to an
43   intermediary bank, the originator's bank is obliged to instruct the
44   intermediary bank according to the instruction of the originator. An

1   intermediary bank in the funds transfer is similarly bound by an
2   instruction given to it by the sender of the payment order it accepts.
3   (2)   If the sender's instruction states that the funds transfer is to be carried
4   out telephonically or by wire transfer or otherwise indicates that the
5   funds transfer is to be carried out by the most expeditious means, the
6   receiving bank is obliged to transmit its payment order by the most
7   expeditious available means, and to instruct any intermediary bank
8   accordingly. If a sender's instruction states a payment date, the
9   receiving bank is obliged to transmit its payment order at a time and by
10   means reasonably necessary to allow payment to the beneficiary on the
11   payment date or as soon thereafter as is feasible.
12   (b)   Unless otherwise instructed, a receiving bank executing a payment order may
13 (i) use any funds-transfer system if use of that system is reasonable in the
14 circumstances, and (ii) issue a payment order to the beneficiary's bank or to an
15 intermediary bank through which a payment order conforming to the sender's order can
16 expeditiously be issued to the beneficiary's bank if the receiving bank exercises ordinary
17 care in the selection of the intermediary bank. A receiving bank is not required to
18 follow an instruction of the sender designating a funds-transfer system to be used in
19 carrying out the funds transfer if the receiving bank, in good faith, determines that it is
20 not feasible to follow the instruction or that following the instruction would unduly
21 delay completion of the funds transfer.
22   (c)   Unless subsection (a)(2) applies or the receiving bank is otherwise instructed,
23 the bank may execute a payment order by transmitting its payment order by first class
24 mail or by any means reasonable in the circumstances. If the receiving bank is
25 instructed to execute the sender's order by transmitting its payment order by a particular
26 means, the receiving bank may issue its payment order by the means stated or by any
27 means as expeditious as the means stated.
28   (d)   Unless instructed by the sender, (i) the receiving bank may not obtain
29 payment of its charges for services and expenses in connection with the execution of the
30 sender's order by issuing a payment order in an amount equal to the amount of the
31 sender's order less the amount of the charges, and (ii) may not instruct a subsequent
32 receiving bank to obtain payment of its charges in the same manner.
33 **"§ 25-4A-303. Erroneous execution of payment order.**
34   (a)   A receiving bank that (i) executes the payment order of the sender by issuing
35 a payment order in an amount greater than the amount of the sender's order, or (ii)
36 issues a payment order in execution of the sender's order and then issues a duplicate
37 order, is entitled to payment of the amount of the sender's order under G.S. 25-4A-
38 402(c) if that subsection is otherwise satisfied. The bank is entitled to recover from the
39 beneficiary of the erroneous order the excess payment received to the extent allowed by
40 the law governing mistake and restitution.
41   (b)   A receiving bank that executes the payment order of the sender by issuing a
42 payment order in an amount less than the amount of the sender's order is entitled to
43 payment of the amount of the sender's order under G.S. 25-4A-402(c) if (i) that
44 subsection is otherwise satisfied and (ii) the bank corrects its mistake by issuing an

1 additional payment order for the benefit of the beneficiary of the sender's order. If the
2 error is not corrected, the issuer of the erroneous order is entitled to receive or retain
3 payment from the sender of the order it accepted only to the extent of the amount of the
4 erroneous order. This subsection does not apply if the receiving bank executes the
5 sender's payment order by issuing a payment order in an amount less than the amount of
6 the sender's order for the purpose of obtaining payment of its charges for services and
7 expenses pursuant to instruction of the sender.
8   (c)   If a receiving bank executes the payment order of the sender by issuing a
9 payment order to a beneficiary different from the beneficiary of the sender's order and
10 the funds transfer is completed on the basis of that error, the sender of the payment
11 order that was erroneously executed and all previous senders in the funds transfer are
12 not obliged to pay the payment orders they issued. The issuer of the erroneous order is
13 entitled to recover from the beneficiary of the order the payment received to the extent
14 allowed by the law governing mistake and restitution.
15 "**§ 25-4A-304. Duty of sender to report erroneously executed payment order.**
16   If the sender of a payment order that is erroneously executed as stated in G.S. 25-
17 4A-303 receives notification from the receiving bank that the order was executed or that
18 the sender's account was debited with respect to the order, the sender has a duty to
19 exercise ordinary care to determine, on the basis of information available to the sender,
20 that the order was erroneously executed and to notify the bank of the relevant facts
21 within a reasonable time not exceeding 90 days after the notification from the bank was
22 received by the sender. If the sender fails to perform that duty, the bank is not obliged to
23 pay interest on any amount refundable to the sender under G.S. 25-4A-402(d)   for
24 the period before the bank learns of the execution error. The bank is not entitled to any
25 recovery from the sender on account of a failure by the sender to perform the duty stated
26 in this section.
27 "**§ 25-4A-305.   Liability for late or improper execution or failure to execute**
28   **payment order.**
29   (a)   If a funds transfer is completed but execution of a payment order by the
30 receiving bank in breach of G.S. 25-4A-302 results in delay in payment to the
31 beneficiary, the bank is obliged to pay interest to either the originator or the beneficiary
32 of the funds transfer for the period of delay caused by the improper execution. Except
33 as provided in subsection (c), additional damages are not recoverable.
34   (b)   If execution of a payment order by a receiving bank in breach of G.S. 25-4A-
35 302 results in (i) noncompletion of the funds transfer, (ii) failure to use an intermediary
36 bank designated by the originator, or (iii) issuance of a payment order that does not
37 comply with the terms of the payment order of the originator, the bank is liable to the
38 originator for its expenses in the funds transfer and for incidental expenses and interest
39 losses, to the extent not covered by subsection (a), resulting from the improper
40 execution.   Except as provided in subsection (c), additional damages are not
41 recoverable.
42   (c)   In addition to the amounts payable under subsections (a) and (b), damages,
43 including consequential damages, are recoverable to the extent provided in an express
44 written agreement of the receiving bank.

1   (d)   If a receiving bank fails to execute a payment order it was obliged by express
2   agreement to execute, the receiving bank is liable to the sender for its expenses in the
3   transaction and for incidental expenses and interest losses resulting from the failure to
4   execute. Additional damages, including consequential damages, are recoverable to the
5   extent provided in an express written agreement of the receiving bank, but are not
6   otherwise recoverable.
7   (e)   Reasonable attorneys' fees are recoverable if demand for compensation under
8   subsection (a) or (b) is made and refused before an action is brought on the claim. If a
9   claim is made for breach of an agreement under subsection (d) and the agreement does
10   not provide for damages, reasonable attorneys' fees are recoverable if demand for
11   compensation under subsection (d) is made and refused before an action is brought on
12   the claim.
13   (f)   Except as stated in this section, the liability of a receiving bank under
14   subsections (a) and (b) may not be varied by agreement.
15   **"PART 4. PAYMENT.**
16   **"§ 25-4A-401. Payment date.**
17   'Payment date' of a payment order means the day on which the amount of the order
18   is payable to the beneficiary by the beneficiary's bank. The payment date may be
19   determined by instruction of the sender but cannot be earlier than the day the order is
20   received by the beneficiary's bank and, unless otherwise determined, is the day the order
21   is received by the beneficiary's bank.
22   **"§ 25-4A-402. Obligation of sender to pay receiving bank.**
23   (a)   This section is subject to G.S. 25-4A-205 and G.S. 25-4A-207.
24   (b)   With respect to a payment order issued to the beneficiary's bank, acceptance
25   of the order by the bank obliges the sender to pay the bank the amount of the order, but
26   payment is not due until the payment date of the order.
27   (c)   This subsection is subject to subsection (e) and to G.S. 25-4A-303. With
28   respect to a payment order issued to a receiving bank other than the beneficiary's bank,
29   acceptance of the order by the receiving bank obliges the sender to pay the bank the
30   amount of the sender's order. Payment by the sender is not due until the execution date
31   of the sender's order. The obligation of that sender to pay its payment order is excused
32   if the funds transfer is not completed by acceptance by the beneficiary's bank of a
33   payment order instructing payment to the beneficiary of that sender's payment order.
34   (d)   If the sender of a payment order pays the order and was not obliged to pay all
35   or part of the amount paid, the bank receiving payment is obliged to refund payment to
36   the extent the sender was not obliged to pay. Except as provided in G.S. 25-4A-204 and
37   G.S. 25-4A-304, interest is payable on the refundable amount from the date of payment.
38   (e)   If a funds transfer is not completed as stated in subsection (c) and an
39   intermediary bank is obliged to refund payment as stated in subsection (d) but is unable
40   to do so because not permitted by applicable law or because the bank suspends
41   payments, a sender in the funds transfer that executed a payment order in compliance
42   with an instruction, as stated in G.S. 25-4A-302(a)(1), to route the funds transfer
43   through that intermediary bank is entitled to receive or retain payment from the sender
44   of the payment order that it accepted. The first sender in the funds transfer that issued

1 an instruction requiring routing through that intermediary bank is subrogated to the right
2 of the bank that paid the intermediary bank to refund as stated in subsection (d).
3   (f)   The right of the sender of a payment order to be excused from the obligation
4 to pay the order as stated in subsection (c) or to receive refund under subsection (d) may
5 not be varied by agreement.
6 "**§ 25-4A-403. Payment by sender to receiving bank.**
7   (a)   Payment of the sender's obligation under G.S. 25-4A-402 to pay the receiving
8 bank occurs as follows:
9   (1)   If the sender is a bank, payment occurs when the receiving bank
10   receives final settlement of the obligation through a Federal Reserve
11   Bank or through a funds-transfer system.
12   (2)   If the sender is a bank and the sender (i) credited an account of the
13   receiving bank with the sender, or (ii) caused an account of the
14   receiving bank in another bank to be credited, payment occurs when
15   the credit is withdrawn or, if not withdrawn, at midnight of the day on
16   which the credit is withdrawable and the receiving bank learns of that
17   fact.
18   (3)   If the receiving bank debits an account of the sender with the receiving
19   bank, payment occurs when the debit is made to the extent the debit is
20   covered by a withdrawable credit balance in the account.
21   (b)   If the sender and receiving bank are members of a funds-transfer system that
22 nets obligations multilaterally among participants, the receiving bank receives final
23 settlement when settlement is complete in accordance with the rules of the system. The
24 obligation of the sender to pay the amount of a payment order transmitted through the
25 funds-transfer system may be satisfied, to the extent permitted by the rules of the
26 system, by setting off and applying against the sender's obligation the right of the sender
27 to receive payment from the receiving bank of the amount of any other payment order
28 transmitted to the sender by the receiving bank through the funds-transfer system. The
29 aggregate balance of obligations owed by each sender to each receiving bank in the
30 funds-transfer system may be satisfied, to the extent permitted by the rules of the
31 system, by setting off and applying against that balance the aggregate balance of
32 obligations owed to the sender by other members of the system. The aggregate balance
33 is determined after the right of setoff stated in the second sentence of this subsection has
34 been exercised.
35   (c)   If two banks transmit payment orders to each other under an agreement that
36 settlement of the obligations of each bank to the other under G.S. 25-4A-402 will be
37 made at the end of the day or other period, the total amount owed with respect to all
38 orders transmitted by one bank shall be set off against the total amount owed with
39 respect to all orders transmitted by the other bank. To the extent of the setoff, each
40 bank has made payment to the other.
41   (d)   In a case not covered by subsection (a), the time when payment of the
42 sender's obligation under G.S. 25-4A-402(b) or G.S. 25-4A-402(c) occurs is governed
43 by applicable principles of law that determine when an obligation is satisfied.

1 **"§ 25-4A-404.   Obligation of beneficiary's bank to pay and give notice to**
2   **beneficiary.**
3   (a)   Subject to G.S. 25-4A-211(e), 25-4A-405(d), and 25-4A-405(e), if a
4 beneficiary's bank accepts a payment order, the bank is obliged to pay the amount of the
5 order to the beneficiary of the order. Payment is due on the payment date of the order,
6 but if acceptance occurs on the payment date after the close of the funds- transfer
7 business day of the bank, payment is due on the next funds-transfer business day. If the
8 bank refuses to pay after demand by the beneficiary and receipt of notice of particular
9 circumstances that will give rise to consequential damages as a result of nonpayment,
10 the beneficiary may recover damages resulting from the refusal to pay to the extent the
11 bank had notice of the damages, unless the bank proves that it did not pay because of a
12 reasonable doubt concerning the right of the beneficiary to payment.
13   (b)   If a payment order accepted by the beneficiary's bank instructs payment to an
14 account of the beneficiary, the bank is obliged to notify the beneficiary of receipt of the
15 order before midnight of the next funds-transfer business day following the payment
16 date. If the payment order does not instruct payment to an account of the beneficiary,
17 the bank is required to notify the beneficiary only if notice is required by the order.
18 Notice may be given by first-class mail or any other means reasonable in the
19 circumstances. If the bank fails to give the required notice, the bank is obliged to pay
20 interest to the beneficiary on the amount of the payment order from the day notice
21 should have been given until the day the beneficiary learned of receipt of the payment
22 order by the bank. No other damages are recoverable. Reasonable attorneys' fees are
23 also recoverable if demand for interest is made and refused before an action is brought
24 on the claim.
25   (c)   The right of a beneficiary to receive payment and damages as stated in
26 subsection (a) may not be varied by agreement or a funds-transfer system rule. The right
27 of a beneficiary to be notified as stated in subsection (b) may be varied by agreement of
28 the beneficiary or by a funds-transfer system rule if the beneficiary is notified of the rule
29 before initiation of the funds transfer.
30 **"§ 25-4A-405. Payment by beneficiary's bank to beneficiary.**
31   (a)   If the beneficiary's bank credits an account of the beneficiary of a payment
32 order, payment of the bank's obligation under G.S. 25-4A-404(a) occurs when and to
33 the extent (i) the beneficiary is notified of the right to withdraw the credit, (ii) the bank
34 lawfully applies the credit to a debt of the beneficiary, or (iii) funds with respect to the
35 order are otherwise made available to the beneficiary by the bank.
36   (b)   If the beneficiary's bank does not credit an account of the beneficiary of a
37 payment order, the time when payment of the bank's obligation under G.S. 25-4A-
38 404(a) occurs is governed by principles of law that determine when an obligation is
39 satisfied.
40   (c)   Except as stated in subsections (d) and (e), if the beneficiary's bank pays the
41 beneficiary of a payment order under a condition to payment or agreement of the
42 beneficiary giving the bank the right to recover payment from the beneficiary if the
43 bank does not receive payment of the order, the condition to payment or agreement is
44 not enforceable.

1   (d)   A funds-transfer system rule may provide that payments made to
2 beneficiaries of funds transfers made through the system are provisional until receipt of
3 payment by the beneficiary's bank of the payment order it accepted. A beneficiary's
4 bank that makes a payment that is provisional under the rule is entitled to refund from
5 the beneficiary if (i) the rule requires that both the beneficiary and the originator be
6 given notice of the provisional nature of the payment before the funds transfer is
7 initiated, (ii) the beneficiary, the beneficiary's bank, and the originator's bank agreed to
8 be bound by the rule, and (iii) the beneficiary's bank did not receive payment of the
9 payment order that it accepted. If the beneficiary is obliged to refund payment to the
10 beneficiary's bank, acceptance of the payment order by the beneficiary's bank is
11 nullified and no payment by the originator of the funds transfer to the beneficiary occurs
12 under G.S. 25-4A-406.
13   (e)   This subsection applies to a funds transfer that includes a payment order
14 transmitted over a funds-transfer system that (i) nets obligations multilaterally among
15 participants, and (ii) has in effect a loss-sharing agreement among participants for the
16 purpose of providing funds necessary to complete settlement of the obligations of one or
17 more participants that do not meet their settlement obligations. If the beneficiary's bank
18 in the funds transfer accepts a payment order and the system fails to complete settlement
19 pursuant to its rules with respect to any payment order in the funds transfer, (i) the
20 acceptance by the beneficiary's bank is nullified and no person has any right or
21 obligation based on the acceptance, (ii) the beneficiary's bank is entitled to recover
22 payment from the beneficiary, (iii) no payment by the originator to the beneficiary
23 occurs under G.S. 25-4A-406, and (iv) subject to G.S. 25-4A-402(e), each sender in the
24 funds transfer is excused from its obligation to pay its payment order under G.S. 25-4A-
25 402(c) because the funds transfer has not been completed.
26 "**§ 25-4A-406. Payment by originator to beneficiary; discharge of underlying**
27   **obligation.**
28   (a)   Subject to G.S. 25-4A-211(e), 25-4A-405(d), and 25-4A-405(e), the
29 originator of a funds transfer pays the beneficiary of the originator's payment order (i) at
30 the time a payment order for the benefit of the beneficiary is accepted by the
31 beneficiary's bank in the funds transfer and (ii) in an amount equal to the amount of the
32 order accepted by the beneficiary's bank, but not more than the amount of the
33 originator's order.
34   (b)   If payment under subsection (a) is made to satisfy an obligation, the
35 obligation is discharged to the same extent discharge would result from payment to the
36 beneficiary of the same amount in money, unless (i) the payment under subsection (a)
37 was made by a means prohibited by the contract of the beneficiary with respect to the
38 obligation, (ii) the beneficiary, within a reasonable time after receiving notice of receipt
39 of the order by the beneficiary's bank, notified the originator of the beneficiary's refusal
40 of the payment, (iii) funds with respect to the order were not withdrawn by the
41 beneficiary or applied to a debt of the beneficiary, and (iv) the beneficiary would suffer
42 a loss that could reasonably have been avoided if payment had been made by a means
43 complying with the contract. If payment by the originator does not result in discharge

1   under this section, the originator is subrogated to the rights of the beneficiary to receive
2   payment from the beneficiary's bank under G.S. 25-4A-404(a).
3   (c)   For the purpose of determining whether discharge of an obligation occurs
4   under subsection (b), if the beneficiary's bank accepts a payment order in an amount
5   equal to the amount of the originator's payment order less charges of one or more
6   receiving banks in the funds transfer, payment to the beneficiary is deemed to be in the
7   amount of the originator's order unless upon demand by the beneficiary the originator
8   does not pay the beneficiary the amount of the deducted charges.
9   (d)   Rights of the originator or of the beneficiary of a funds transfer under this
10   section may be varied only by agreement of the originator and the beneficiary.
11   **"PART 5. MISCELLANEOUS PROVISIONS.**
12   **"§ 25-4A-501. Variation by agreement and effect of funds-transfer system rule.**
13   (a)   Except as otherwise provided in this Article, the rights and obligations of a
14   party to a funds transfer may be varied by agreement of the affected party.
15   (b)   'Funds-transfer system rule' means a rule of an association of banks (i)
16   governing transmission of payment orders by means of a funds-transfer system of the
17   association or rights and obligations with respect to those orders, or (ii) to the extent the
18   rule governs rights and obligations between banks that are parties to a funds transfer in
19   which a Federal Reserve Bank, acting as an intermediary bank, sends a payment order
20   to the beneficiary's bank. Except as otherwise provided in this Article, a funds-transfer
21   system rule governing rights and obligations between participating banks using the
22   system may be effective even if the rule conflicts with this Article and indirectly affects
23   another party to the funds transfer who does not consent to the rule. A funds-transfer
24   system rule may also govern rights and obligations of parties other than participating
25   banks using the system to the extent stated in G.S. 25-4A-404(c), 25-4A-405(d), and 25-
26   4A-507(c).
27   **"§ 25-4A-502. Creditor process served on receiving bank; setoff by beneficiary's**
28   **bank.**
29   (a)   As used in this section, 'creditor process' means levy, attachment,
30   garnishment, notice of lien, sequestration, or similar process issued by or on behalf of a
31   creditor or other claimant with respect to an account.
32   (b)   This subsection applies to creditor process with respect to an authorized
33   account of the sender of a payment order if the creditor process is served on the
34   receiving bank. For the purpose of determining rights with respect to the creditor
35   process, if the receiving bank accepts the payment order the balance in the authorized
36   account is deemed to be reduced by the amount of the payment order to the extent the
37   bank did not otherwise receive payment of the order, unless the creditor process is
38   served at a time and in a manner affording the bank a reasonable opportunity to act on it
39   before the bank accepts the payment order.
40   (c)   If a beneficiary's bank has received a payment order for payment to the
41   beneficiary's account in the bank, the following rules apply:
42   (1)   The bank may credit the beneficiary's account. The amount credited
43   may be set off against an obligation owed by the beneficiary to the

1   bank or may be applied to satisfy creditor process served on the bank

2   with respect to the account.

3   (2)   The bank may credit the beneficiary's account and allow withdrawal of

4   the amount credited unless creditor process with respect to the account

5   is served at a time and in a manner affording the bank a reasonable

6   opportunity to act to prevent withdrawal.

7   (3)   If creditor process with respect to the beneficiary's account has been

8   served and the bank has had a reasonable opportunity to act on it, the

9   bank may not reject the payment order except for a reason unrelated to

10   the service of process.

11   (d)   Creditor process with respect to a payment by the originator to the beneficiary

12 pursuant to a funds transfer may be served only on the beneficiary's bank with respect to

13 the debt owed by that bank to the beneficiary. Any other bank served with the creditor

14 process is not obliged to act with respect to the process.

15 "**§ 25-4A-503. Injunction or restraining order with respect to funds transfer.**

16   For proper cause and in compliance with applicable law, a court may restrain (i)

17   a person from issuing a payment order to initiate a funds transfer, (ii) an

18 originator's bank from executing the payment order of the originator, or (iii) the

19 beneficiary's bank from releasing funds to the beneficiary or the beneficiary from

20 withdrawing the funds. A court may not otherwise restrain a person from issuing a

21 payment order, paying or receiving payment of a payment order, or otherwise acting

22 with respect to a funds transfer.

23 "**§ 25-4A-504. Order in which items and payment orders may be charged to**

24   **account; order of withdrawals from account.**

25   (a)   If a receiving bank has received more than one payment order of the sender or

26 one or more payment

27 orders and other items that are payable from the sender's account, the bank may charge

28 the sender's account with respect to the various orders and items in any sequence.

29   (b)   In determining whether a credit to an account has been withdrawn by the

30 holder of the account or applied to a debt of the holder of the account, credits first made

31 to the account are first withdrawn or applied.

32 "**§ 25-4A-505. Preclusion of objection to debit of customer's account.**

33   If a receiving bank has received payment from its customer with respect to a

34 payment order issued in the name of the customer as sender and accepted by the bank,

35 and the customer received notification reasonably identifying the order, the customer is

36 precluded from asserting that the bank is not entitled to retain the payment unless the

37 customer notifies the bank of the customer's objection to the payment within one year

38 after the notification was received by the customer.

39 "**§ 25-4A-506. Rate of interest.**

40   (a)   If, under this Article, a receiving bank is obliged to pay interest with respect

41 to a payment order issued to the bank, the amount payable may be determined (i) by

42 agreement of the sender and receiving bank, or (ii) by a funds-transfer system rule if the

43 payment order is transmitted through a funds-transfer system.

1   (b)   If the amount of interest is not determined by an agreement or rule as stated
2 in subsection (a), the amount is calculated by multiplying the applicable federal funds
3 rate by the amount on which interest is payable, and then multiplying the product by the
4 number of days for which interest is payable. The applicable federal funds rate is the
5 average of the federal funds rates published by the Federal Reserve Bank of New York
6 for each of the days for which interest is payable divided by 360. The federal funds rate
7 for any day on which a published rate is not available is the same as the published rate
8 for the next preceding day for which there is a published rate. If a receiving bank that
9 accepted a payment order is required to refund payment to the sender of the order
10 because the funds transfer was not completed, but the failure to complete was not due to
11 any fault by the bank, the interest payable is reduced by a percentage equal to the
12 reserve requirement on deposits of the receiving bank.
13 "**§ 25-4A-507. Choice of law.**
14   (a)   The following rules apply unless the affected parties otherwise agree or
15 subsection (c) applies:
16   (1)   The rights and obligations between the sender of a payment order and
17   the receiving bank are governed by the law of the jurisdiction in which
18   the receiving bank is located.
19   (2)   The rights and obligations between the beneficiary's bank and the
20   beneficiary are governed by the law of the jurisdiction in which the
21   beneficiary's bank is located.
22   (3)   The issue of when payment is made pursuant to a funds transfer by the
23   originator to the beneficiary is governed by the law of the jurisdiction
24   in which the beneficiary's bank is located.
25   (b)   If the parties described in each paragraph of subsection (a) have made an
26 agreement selecting the law of a particular jurisdiction to govern rights and obligations
27 between each other, the law of that jurisdiction governs those rights and obligations,
28 whether or not the payment order or the funds transfer bears a reasonable relation to that
29 jurisdiction.
30   (c)   A funds-transfer system rule may select the law of a particular jurisdiction to
31 govern (i) rights and obligations between participating banks with respect to payment
32 orders transmitted or processed through the system, or (ii) the rights and obligations of
33 some or all parties to a funds transfer any part of which is carried out by means of the
34 system. A choice of law made pursuant to clause (i) is binding on participating banks.
35 A choice of law made pursuant to clause (ii) is binding on the originator, other sender,
36 or a receiving bank having notice that the funds-transfer system might be used in the
37 funds transfer and of the choice of law by the system when the originator, other sender,
38 or receiving bank issued or accepted a payment order. The beneficiary of a funds
39 transfer is bound by the choice of law if, when the funds transfer is initiated, the
40 beneficiary has notice that the funds-transfer system might be used in the funds transfer
41 and of the choice of law by the system. The law of a jurisdiction selected pursuant to
42 this subsection may govern, whether or not that law bears a reasonable relation to the
43 matter in issue.

1   (d)   In the event of inconsistency between an agreement under subsection (b) and
2 a choice-of-law rule under subsection (c), the agreement under subsection (b) prevails.
3   (e)   If a funds transfer is made by use of more than one funds-transfer system and
4 there is inconsistency between choice-of-law rules of the systems, the matter in issue is
5 governed by the law of the selected jurisdiction that has the most significant relationship
6 to the matter in issue."
7   Sec. 2. G.S. 25-1-105 reads as rewritten:
8 **"§ 25-1-105. Territorial application of the act; parties' power to choose applicable**
9   **law.**
10   (1)   Except as provided hereafter in this section, when a transaction bears a
11 reasonable relation to this State and also to another state or nation the parties may agree
12 that the law either of this State or of such other state or nation shall govern their rights
13 and duties. Failing such agreement this chapter applies to transactions bearing an
14 appropriate relation to this State.
15   (2)   Where one of the following provisions of this Chapter specifies the applicable
16 law, that provision governs and a contrary agreement is effective only to the extent
17 permitted by the law (including the conflict of laws rules) so specified:
18   Rights of creditors against sold goods. (G.S. 25-2-402).
19   Applicability of the article on bank deposits and collections. (G.S. 25-4-102).
20   Bulk transfers subject to the article on bulk transfers. (G.S. 25-6-102).
21   Applicability of the article on investment securities. (G.S. 25-8-106).
22   Perfection provisions of the article on secured transactions. (G.S. 25-9-103).
23   Governing law in the article on Funds Transfers. (G.S. 25-4A-507)."
24   Sec. 3. The Revisor of Statutes shall cause to be printed along with this act all
25 relevant portions of the official comments to the Uniform Commercial Code, Article
26 4A, as the Revisor deems appropriate.
27   Sec. 4. This act becomes effective October 1, 1993.