

Table of Contents

ARTICLE 4 BANK DEPOSITS AND COLLECTIONS.....	1
PART 1 GENERAL PROVISIONS AND DEFINITIONS	1
Sec. 4-101 Short title	
4-101[A][1] Introduction	
4-101[A][2] Comparisons to Article 4[Rev]	
4-101[A][3] References to other Code sections	
Sec. 4-102 Applicability	
4-102[A][1] The role of 4-102	
4-102[A][2] Applicability of Article 4	
4-102[A][3] Conflict of laws	
4-102[B][1] Applicable Article: 4 versus 3	
4-102[B][2] Law applicable: conflicts	
4-102[B][3] Electronic funds transfers	
4-102[B][4] Other instruments	
Sec. 4-103 Variation by agreement; measure of damages; certain action constituting ordinary care	
4-103[A][1] The nature and content of 4-103	
4-103[A][2] Variation by agreement: 4-103(1)	
4-103[A][3] Official and quasi-official rules: 4-103(2)	
4-103[A][4] The exercise of ordinary care: 4-103(3) and 4-103(4)	
4-103[A][5] Negligence damages: 4-103(5)	
4-103[A][6] FRB Regulation J	
4-103[A][7] FRB operating letter	
4-103[A][8] Stop order agreements	
4-103[A][9][a] Night depository agreements—Article 4 held inapplicable	
4-103[A][9][b] —Agreement found ineffective	
4-103[A][10] Agreement to pay	
4-103[A][11] Consequential damages	
4-103[B][1] Lack of ordinary care	
4-103[B][2] FRB regulations	
4-103[B][3] FRB operating letters	
4-103[B][4] General banking usage	
4-103[B][5] Stop payment agreement	
4-103[B][6] Signatures agreement	
4-103[B][7] Hold harmless agreement	

- 4-103[B][8] Agreement to pay
- 4-103[B][9] Effect on special instructions
- 4-103[B][10] Damages
- 4-103[B][11] Consequential damages
- 4-103[B][12] Bank's duty to cooperate
- 4-103[B][13] Relationship between bank and depositor
- Sec. 4-104 Definitions and index of definitions
 - 4-104[A][1] The 4-104 index of definitions
 - 4-104[A][2] "Banking day": 4-104(1)(c)
 - 4-104[A][3] "Midnight deadline": 4-104(1)(h)
 - Re-presented checks and the midnight deadline
 - Postdated checks and the midnight deadline
 - 4-104[A][4] "Item": 4-104(1)(g)
 - 4-104[B][1] "Customer"
 - 4-104[B][2] "Documentary draft"
 - 4-104[B][3] "Item"
 - 4-104[B][4] "Properly payable"
 - 4-104[B][5] "Midnight deadline"
 - 4-104[B][6] "Midnight deadline and computer processing arrangements"
- Sec. 4-105 "Depository bank"; "intermediary bank"; "collecting bank"; "payor bank"; "presenting bank"; "remitting bank"
 - 4-105[A][1] The role of 4-105
 - 4-105[A][2] The bank classification system
 - 4-105[B][1] Ambiguity in classification of bank
 - 4-105[B][2] Collecting bank
 - 4-105[B][3] Payor bank-accountability due to delay in processing
 - 4-105[B][4] Financial institution as a bank
- Sec. 4-106 Separate office of a bank
 - 4-106[A][1] Branch or separate office as a separate bank
 - 4-106[A][2] Location rules for separate branch or separate office
 - 4-106[A][3] Timeliness rules for branch or separate office
 - 4-106[B][1] Computer centers
- Sec. 4-107 Time of receipt of items
 - 4-107[A][1] Introduction
- Sec. 4-108 Delays
 - 4-108[A][1] The role of 4-108
 - 4-108[A][2] The one-day extension rule: 4-108(1)
 - 4-108[A][3] Excuse due to circumstances beyond the bank's control: 4-108(2)
 - 4-108[A][4] Computer breakdown
 - 4-108[A][5] Other force majeure circumstances
 - 4-108[A][6] Christmas: the backlog problem
 - 4-108[B][1] Routine breakdowns as excuse
 - 4-108[B][2] Processing of item as excuse

TABLE OF CONTENTS

Sec. 4-109 Process of posting

- 4-109[A][1] Introduction
- 4-109[A][2] The process of posting
- 4-109[A][3] Process of posting as final payment
- 4-109[A][4] Completing the process of posting: 4-109(e)
- 4-109[A][5] “Paid in error” notation
- 4-109[B][1] Recording of payment requirement
- 4-109[B][2] Completion of process of posting
- 4-109[B][3] Correcting or reversing an entry
- 4-109[B][4] Computer processing arrangements

PART 2 COLLECTION OF ITEMS: DEPOSITARY AND COLLECTING BANKS..... 57

Sec. 4-201 Presumption and duration of agency status of collecting banks and provisional status of credits; applicability of article; item indorsed “pay any bank”

- 4-201[A][1] The role of 4-201: basic frame of reference
- 4-201[A][2] Bank as agent or sub-agent
- 4-201[A][3] Provisional character of settlement
- 4-201[A][4] Continuity of ownership
- 4-201[A][5] Termination of bank’s agency status
- 4-201[A][6] The banker’s endorsement: 4-201(2)
- 4-201[B][1] Agency status
- 4-201[B][2] Provisional settlement
- 4-201[B][3] Bank as holder in due course
- 4-201[B][4] Banker’s endorsement

Sec. 4-202 Responsibility for collection; when action seasonable

- 4-202[A][1] The responsibilities of collecting banks and 4-202
- 4-202[A][2] The exercise of “ordinary care”: 4-202(1)
- 4-202[A][3] The exercise of “good faith”: 1-203
- 4-202[A][4] The time frame permitted
- 4-202[A][5] Use of other banks
- 4-202[A][6] Operation of the code time frame
- 4-202[B][1] Duty of care
- 4-202[B][2] Exercise of ordinary care
- 4-202[B][3] Timeliness of action
- 4-202[B][4] Effect of contributory negligence

Sec. 4-203 Effect of instructions

- 4-203[A][1] Collecting banks and the chain of command
- 4-203[B][1] Instructions of transferor
- 4-203[B][2] Instructions of other than transferor

Sec. 4-204 Methods of sending and presenting; sending direct to payor bank

- 4-204[A][1] The forwarding and presentation of items

- 4-204[A][2] The prompt forwarding rule: 4-204(1)
- 4-204[A][3] Direct presentment: 4-204(2)
- 4-204[A][4] Authorization to present at off-premises facilities
- 4-204[A][5] Data processing centers and the added time factor
- 4-204[A][6] Funds availability
- 4-204[A][7] Regulation CC and data processing centers
- 4-204[B][1] Direct presentment on payor bank
- Sec. 4-205 Supplying missing indorsement; no notice from prior indorsement
 - 4-205[A][1] Introduction
 - 4-205[A][2] Depository bank may supply customer's indorsement: 4-205(1)
 - 4-205[A][3] Effect of restrictive endorsements: 4-205(2)
 - 4-205[A][4] Supplying the necessary endorsement
 - 4-205[A][5] Bank's failure to supply necessary endorsement
 - 4-205[B][1] Endorsement supplied
 - 4-205[B][1][a] —Warranty by submission as equivalent to endorsement
 - 4-205[B][2] Failure to supply necessary endorsement
 - 4-205[B][3] "Customer" requirement
- Sec. 4-206 Transfer between banks
 - 4-206[A][1] Introduction
 - 4-206[B][1] Sufficiency of endorsement
- Sec. 4-207 Warranties of customer and collecting bank on transfer or presentment of items; time for claims
 - 4-207[A][1] The nature of code warranties
 - 4-207[A][2] Transfer warranties: 4-207(2)
 - 4-207[A][3] Transferor's agreement to take up: 4-207(2)
 - 4-207[A][4] Who makes transfer warranties to whom?
 - 4-207[A][5] Payment warranties: 4-207(1)
 - 4-207[A][6] The title warranty: 4-207(1)(a)
 - 4-207[A][7] The warranty as to the signature of maker or drawer: 4-207(1)(b)
 - 4-207[A][8] The warranty as to alterations: 4-207(1)(c)
 - 4-207[A][9] 4-207 damages rule
 - 4-207[A][10] 4-207 timeliness rule
 - 4-207[A][11] Federal warranties: Regulation CC
 - 4-207[A][12] The reasonable time requirement
 - 4-207[A][13] Warranties on return of checks: Regulation CC
 - 4-207[A][14] Good faith
 - 4-207[A][15] Intended payee defense
 - 4-207[B][1] Warranty of good title
 - 4-207[B][2] Forged endorsement
 - 4-207[B][3] Missing endorsement
 - 4-207[B][4] Material alteration

TABLE OF CONTENTS

4-207[B][5]	Signature of maker or drawer
4-207[B][6]	Warranties of collecting bank
4-207[B][7][a]	Timeliness of claim—Action timely
4-207[B][7][b]	—Action time-barred
4-207[B][8]	Attorney’s fees
4-207[B][9]	“Standing to sue”
4-207[B][10]	“Damages”
Sec. 4-208	Security interest of collecting bank in items, accompanying documents and proceeds
4-208[A][1]	The role of 4-208
4-208[A][2]	Existence of security interest: 4-208(1)
4-208[A][3]	Allocation rules: 4-208(2)
4-208[A][4]	Duration of the security interest: 4-208(3)
4-208[A][5]	Formalities and priorities: 4-208(3)
4-208[A][6]	Security interest as value
4-208[A][7]	Relinquishment of possession
4-208[B][1]	Security interest
4-208[B][2]	Allocation
4-208[B][3]	Priorities
Sec. 4-209	When bank gives value for purposes of holder in due course
4-209[A][1]	The nature and content of 4-209
4-209[A][2]	Security interest as value
4-209[A][3]	Other requirements: good faith
4-209[B][1]	Discharge of preexisting debt as value
4-209[B][2]	Overdraft as value
4-209[B][3]	Security interest as value
4-209[B][4]	Other requirements for HDC status
Sec. 4-210	Presentment by notice of item not payable by, through or at a bank; liability of secondary parties
4-210[A][1]	Presentment by notice
4-210[A][2]	Authorization to present by notice
4-210[A][3]	Timing and formalities of presentment by notice
4-210[A][4]	Duties of payor: dishonor
4-210[B][1]	Presentment by notice
Sec. 4-211	Media of remittance; provisional and final settlement in remittance cases
4-211[A][1]	The role of 4-211
4-211[A][2]	Authorized types of remittance instruments
4-211[A][3]	Nonliability of collecting bank in the event of dishonor of remittance
4-211[A][4]	When does settlement become final: 4-211(3)
4-211[B][1]	Cashier’s check as remittance instrument
4-211[B][2]	Finality of payment

Sec. 4-212 Right of charge-back or refund

- 4-212[A][1] The nature and content of 4-212
- 4-212[A][2] Right of charge-back or refund
- 4-212[A][3] Termination of charge-back rights
- 4-212[A][4] Charge-back of on-us items
- 4-212[A][5] Direct return of items
- 4-212[A][6] Effect of failure to charge back
- 4-212[A][7] Currency fluctuations
- 4-212[A][8] Charge-back and the midnight deadline
- 4-212[A][9] Penalties for untimely charge-back
- 4-212[A][10] Oral exercise of charge-back rights
- 4-212[A][11] Coping with final payment
- 4-212[A][12] Effect of Regulation CC
- 4-212[B][1] Timely charge-back
- 4-212[B][2] Timely return of item
- 4-212[B][3] Untimely exercise of charge-back
- 4-212[B][4] Suit to obtain refund
- 4-212[B][5] Optional character of charge-back
- 4-212[B][6] Currency fluctuations
- 4-212[B][7] Charge-back not a final settlement
- 4-212[B][8] Timely notice

Sec. 4-213 Final payment of item by payor bank; when provisional debits and credits become final; when certain credits become available for withdrawal

- 4-213[A][1] The role of 4-213
- 4-213[A][2] Finality of payment by the payor: 4-213(1)
- 4-213[A][3] Accountability of payor bank on final payment
- 4-213[A][4] Finality of provisional credits
- 4-213[A][5] Finality of interbank credits: 4-213(3)
- 4-213[A][6] Finality of interbank settlements: 4-213(4)
- 4-213[A][7] Availability of funds for withdrawal as of right
- 4-213[A][8] Availability of funds: "on us" items: 4-213(4)(b)
- 4-213[A][9] Availability of funds: collection items: 4-213(4)(a)
- 4-213[A][10] Regulation CC and availability of funds
- 4-213[A][11] Cash deposits
- 4-213[A][12] Problems with "process of posting"
- 4-213[A][13] Problems with final payment "in cash"
- 4-213[A][14] Final payment and the stop order
- 4-213[A][15] Final payment and encoding errors
- 4-213[A][16] Re-presented checks
- 4-213[B][1] Process of posting
- 4-213[B][2] Cashier's check in payment
- 4-213[B][3] Cashier's check in remittance
- 4-213[B][4] "On us" item
- 4-213[B][5] Availability of charge-back

TABLE OF CONTENTS

4-213[B][6]	Action by drawer
4-213[B][7]	Effect of 3-418 on finality
4-213[B][8]	Final payment “in cash”
4-213[B][9]	Discrepancy between encoded and face amounts on check
4-213[B][10]	Availability of funds
Sec. 4-214	Insolvency and preference
4-214[A][1]	Insolvency and preference: 4-214
4-214[A][2]	Insolvency and preference: Regulation CC
4-214[A][3]	Charge-back
4-214[B][1]	Constitutionality

PART 3 COLLECTION OF ITEMS: PAYOR BANKS. 172

Sec. 4-301	Deferred posting; recovery of payment by return of items; time of dishonor
4-301[A][1]	Deferred posting
4-301[A][2]	Revocation of settlements: 4-301(1)
4-301[A][2][a]	—Type of instrument
4-301[A][2][b]	—Authorization
4-301[A][2][c]	—Time allowed
4-301[A][2][d]	—Manner of exercise
4-301[A][3]	Dishonor and the time of dishonor
4-301[A][3][a]	—If received through a clearing house
4-301[A][3][b]	—If received other than through a clearing house
4-301[A][4]	Re-presented checks and the midnight deadline
4-301[A][5]	Impact of Federal Reserve Board Regulations
4-301[B][1]	Revocation of credit: “on us” item
Sec. 4-302	Payor bank’s responsibility for late return of item
4-302[A][1]	The accountability concept
4-302[A][2]	Accountability for demand items: 4-302(a)
4-302[A][3]	Accountability for all other properly payable items: 4-302(b)
4-302[A][4]	Midnight deadline and the postdated check
4-302[A][5]	Midnight deadline and the forged check
4-302[A][6]	Impact of Federal Reserve Regulations
4-302[B][1]	Requirement of settlement on day of receipt
4-302[B][2]	Failure to pay or return
4-302[B][3]	Failure to meet deadline
4-302[B][4]	Misrouting of return
4-302[B][5]	Nature of liability
4-302[B][6]	Effect of federal reserve regulation
4-302[B][7]	Effect of collateral agreement
4-302[B][8]	Effect of depository bank’s negligence
4-302[B][9]	Computer processing

- 4-302[B][10] Re-presented items
- 4-302[B][11] Documentary drafts
- 4-302[B][12] Midnight deadline and nonnegotiable items
- 4-302[B][13] Restitution
- 4-302[B][14] Statute of limitations
- 4-302[B][15] Claims and defenses against FDIC
- 4-302[B][16] Items sent for collection
- Sec. 4-303 When items subject to notice, stop-order, legal process or setoff; order in which items may be charged or certified
 - 4-303[A][1] The four legals
 - 4-303[A][2] Commitment events
 - 4-303[A][3] Order of payment
 - 4-303[A][4] Timing and the right of setoff
 - 4-303[A][5] Right of setoff and competing legals
 - 4-303[A][6] Setoff and customer's rights in account
 - 4-303[A][7] 4-303 and the letter of credit
 - 4-303[A][8] Reasonable time of notice
 - 4-303[B][1] Requirement of reasonable time to act
 - 4-303[B][2] Effectiveness of stop order
 - 4-303[B][3] Reasonable time, specific circumstances, and the midnight deadline
 - 4-303[B][4] Setoff: timeliness
 - 4-303[B][5] Customer's rights in account
 - 4-303[B][6] Garnishment
 - 4-303[B][7] Restraining order
 - 4-303[B][8] Cashier's check
 - 4-303[B][9] Federal reserve draft
 - 4-303[B][10] Letters of credit
 - 4-303[B][11] Order of payment at convenience of bank
 - 4-303[B][12] Setoff: good faith
 - 4-303[B][13] Certified checks

PART 4 RELATIONSHIP BETWEEN PAYOR BANK AND ITS CUSTOMER 218

- Sec. 4-401 When bank may charge customer's account
 - 4-401[A][1] Bank's right to charge account of customer
 - 4-401[A][2] Right to charge "properly payable" items
 - 4-401[A][3] Right to charge overdraft
 - 4-401[A][3][a] —Good faith
 - 4-401[A][4] Right to charge where item has been altered
 - 4-401[A][5] Right to charge where item has been completed
 - 4-401[A][6] Overdraft agreements
 - 4-401[A][7] Account reduction as a stop versus the right to overcharge

TABLE OF CONTENTS

4-401[A][8]	Overdrafts and the joint account
4-401[A][9]	The problem of the postdated check
4-401[A][10]	Coping with “improperly paid” items
4-401[A][11]	Amount recoverable
4-401[B][1]	Right to charge overdraft
4-401[B][2]	Required signatures
4-401[B][3]	Forged withdrawal order
4-401[B][4]	Missing endorsement
4-401[B][5]	Unauthorized endorsement
4-401[B][6]	Forged endorsement
4-401[B][7]	Improper endorsement
4-401[B][8]	Bankruptcy of customer
4-401[B][9]	Negligence of bank
4-401[B][10]	“Properly payable”
§ 4-401[B][11]	Payor bank
Sec. 4-402	Bank’s liability to customer for wrongful dishonor
4-402[A][1]	Wrongful dishonor: the old versus the new
4-402[A][2]	The 4-402 cause of action for wrongful dishonor
4-402[A][3]	A methodology for handling 4-402
4-402[A][4]	What constitutes a “wrongful dishonor”?
4-402[A][5]	Who is a “customer”?
4-402[A][6]	Measure of damages
4-402[A][7]	Intentional dishonor
4-402[A][8]	Wrongful dishonor and the savings bank
4-402[A][9]	Restrictions on check cashing
4-402[B][1]	Wrongful dishonor
4-402[B][2]	Who is a “customer”?
4-402[B][3]	Dishonor by mistake
4-402[B][4]	Intentional dishonor
4-402[B][5]	Punitive damages
4-402[B][6]	Damages for emotional distress
Sec. 4-403	Customer’s right to stop payment; burden of proof of loss
4-403[A][1]	Customer’s right to stop payment
4-403[A][2]	Timeliness of stop order
4-403[A][3]	Duration of the stop order
4-403[A][4]	Burden of establishing loss
4-403[A][5]	Burden of proof versus burden of coming forward
4-403[A][6]	Variation of liability by agreement
4-403[A][7]	Fees for stop orders
4-403[A][8]	Putting a stop on a cashier’s check
4-403[A][9]	Stopping personal money orders
4-403[A][10]	Reducing the account balance to effect a stop
4-403[A][11]	Computers and the stop order
4-403[A][12]	Putting a stop on a wire transfer

- 4-403[A][13] Putting a stop on a teller's check
- 4-403[A][14] Liability after stop order
- 4-403[B][1] Computer requirements
- 4-403[B][2] Ineffective stop order
- 4-403[B][3] Cashier's check
- 4-403[B][4] Personal money order
- 4-403[B][5] Travellers checks
- 4-403[B][6] Effect of payment over stop
- 4-403[B][7] Restitution
- 4-403[B][8] Inaccuracies in stop order
- 4-403[B][9] Teller's checks
- 4-403[B][10] Establishing "loss"
- Sec. 4-404 Bank not obligated to pay check more than six months old
 - 4-404[A][1] No requirement to pay after six months
 - 4-404[A][2] "Good faith" and the stale check
 - 4-404[A][3] Revival of underlying obligation
 - 4-404[B][1] Ten-year-old check
 - 4-404[B][2] Lack of required signature
 - 4-404[B][3] Claim against estate
 - 4-404[B][4] Drawee's debt
- Sec. 4-405 Death or incompetence of customer
 - 4-405[A][1] Customer's death or incompetence: 4-405(1)
 - 4-405[A][2] Ten-day continuation of authority rule: 4-405(2)
 - 4-405[A][3] Adjudication of incompetency
 - 4-405[A][4] Permissive nature of rule
 - 4-405[B][1] Effect of bank's nonpayment
 - 4-405[B][2] Effect on power of attorney
 - 4-405[B][3] Conflict of interest
 - 4-405[B][4] Electronic funds transfers
- Sec. 4-406 Customer's duty to discover and report unauthorized signature or alteration
 - 4-406[A][1] Duties of customer: 4-406(1)
 - 4-406[A][2] Effect of customer's failure: 4-406(2)
 - 4-406[A][3] Effect of bank's lack of ordinary care: 4-406(3)
 - 4-406[A][4] Preclusion upon expiration of time: 4-406(4)
 - 4-406[A][5] Bank's failure to enforce preclusion: 4-406(5)
 - 4-406[A][6][a] Bank's exercise of reasonable care—Delegation
 - 4-406[A][6][b] Bank's exercise of reasonable care—Computer review
 - 4-406[A][6][c] Bank's exercise of reasonable care—Multiple forgeries: same wrongdoer
 - 4-406[A][6][d] Bank's exercise of reasonable care—Facsimile signature (rubber stamp)
 - 4-406[A][6][e] Bank's exercise of reasonable care—Signature card errors

TABLE OF CONTENTS

4-406[A][7][a]	Time limits on notification to bank—One-year rule
4-406[A][7][b]	—Three-year rule
4-406[A][7][c]	—Deciding which rule to use
4-406[A][8]	Unauthorized versus missing signature
4-406[A][9]	Shifting losses to collecting bank
4-406[A][10]	4-406 and the depository bank
4-406[A][11]	4-406 and the savings bank
4-406[A][12]	Local variation
4-406[A][13]	4-406 and nonbank institutions
4-406[A][14]	Effectiveness of shortened limitations period
4-406[A][15]	Applicability of 4-406 savings accounts
4-406[A][16]	Changes made in 1990 Revision to Article 4
4-406[B][1]	Availability of statements
4-406[B][2]	Customer's exercise of reasonable care
4-406[B][3]	Knowledge of bank
4-406[B][4]	Standard of care
4-406[B][5]	Both parties negligent
4-406[B][6]	Multiple forgeries: same wrongdoer
4-406[B][7]	Unauthorized endorsements
4-406[B][8]	One-year rule
4-406[B][9]	Three-year rule
4-406[B][10]	Relation of 4-406 to 3-406
4-406[B][11]	4-406 and savings bank
4-406[B][12]	Effect of 4-406(4) limitations period on negligence action
4-406[B][13]	Standing
4-406[B][14]	Sufficiency of notice
4-406[B][15]	Contractual modification of limitations period
4-406[B][16]	4-406 and the collecting bank
4-406[B][17]	Bad faith
4-406[B][18]	"Items"
4-406[B][19]	Fourteen-day rule —Forgeries by same wrongdoer
4-406[B][20]	What constitutes "items"
4-406[B][21]	Discovery rule; policy favoring transferability of negotiable
Sec. 4-407	Payor bank's right to subrogation on improper payment
4-407[A][1]	The nature and content of 4-407
4-407[A][2]	Bank's plight on missed stop
4-407[A][3]	Can bank reach individuals not party to the instrument?
4-407[A][4]	The postdated check
4-407[A][5]	Release agreements and the 4-407 hazard
4-407[B][1]	Subrogation to holder in due course
4-407[B][2]	Subrogation to rights of payee
4-407[B][3]	Recovery from party paid

PART 5 COLLECTION OF DOCUMENTARY DRAFTS	347
Sec. 4-501 Handling of documentary drafts; duty to send for presentment and to notify customer of dishonor	
4-501[A][1] The collection of documentary drafts	
4-501[A][2] Obligations of bank	
4-501[A][2][a] —Duty to present or send	
4-501[A][2][b] —Duty to notify	
4-501[B][1] Duty to present	
4-501[B][2] Failure to act	
Sec. 4-502 Presentment of “on arrival” drafts	
4-502[A][1] Presentment and the “on arrival draft”	
Sec. 4-503 Responsibility of presenting bank for documents and goods; report of reasons for dishonor; referee in case of need	
4-503[A][1] Duties of bank upon presentment	
4-503[A][2] Duty to deliver documents: 4-503(a)	
4-503[A][3] Duties upon dishonor: 4-503(b)	
4-503[A][4] Duties regarding the goods	
4-503[A][5] Reimbursement and the like	
4-503[A][6] Failure of instructions	
4-503[B][1] Payor bank’s failure to act	
4-503[B][2] Obligations of collecting bank	
Sec. 4-504 Privilege of presenting bank to deal with goods; security interest for expenses	
4-504[A][1] Introduction	
ARTICLE 4 [REV] BANK DEPOSITS AND COLLECTIONS	355
PART 1 GENERAL PROVISIONS AND DEFINITIONS	355
Sec. 4-101 [Rev]	
Short title	
4-101[A][1] [Rev] Introduction	
Sec. 4-102 [Rev]	
Applicability	
4-102[A][1] [Rev] Introduction	
§ 4-102[B][1][Rev] Scope of Article 4	
Sec. 4-103 [Rev]	
Variation by agreement; measure of damages; action constituting ordinary care	
4-103[A][1] [Rev] Introduction	
4-103[A][2] [Rev] Decreasing importance of Article 4 and Article 4[Rev] in payment processing	

TABLE OF CONTENTS

4-103[A][3] [Rev]	Missing endorsement and damages	
4-103[B][1] [Rev]	Damages	
4-103[B][2] [Rev]	Variation by agreement	
4-103[B][3] [Rev]	Failure to exercise ordinary care	
Sec. 4-104 [Rev]	Definitions and index of definitions	
4-104[A][1] [Rev]	Introduction	
4-104[A][2] [Rev]	“For Benefit Of” (FBO) accounts	
4-104[B][1] [Rev]	“Items”	
4-104[B][2] [Rev]	“Midnight deadline”	
4-104[B][3] [Rev]	“Customer”	
Sec. 4-105 [Rev]	“Bank”; “depository bank”; “payor bank”; “intermediary bank”; “collecting bank”; “presenting bank”	
4-105[A][1] [Rev]	Introduction	
4-105[B][1] [Rev]	Payor bank	
Sec. 4-106 [Rev]	Payable through or payable at bank; collecting bank	
4-106[A][1] [Rev]	Introduction	
Sec. 4-107 [Rev]	Separate office of bank	
4-107[A][1] [Rev]	Introduction	
4-107[A][2] [Rev]	Bank branches as separate entities	
Sec. 4-108 [Rev]	Time of receipt of items	
4-108[A][1] [Rev]	Introduction	
Sec. 4-109 [Rev]	Delays	
4-109[A][1] [Rev]	Introduction	
4-109[B][1] [Rev]	Excuse	
Sec. 4-110 [Rev]	Electronic presentment	
4-110[A][1] [Rev]	Introduction	
Sec. 4-111 [Rev]	Statute of limitations	
4-111[A][1] [Rev]	Introduction	
4-111[B][1] [Rev]	Other statutes of limitations	
4-111[B][2] [Rev]	Application of statute	
PART 2 COLLECTION OF ITEMS: DEPOSITORY AND COLLECTING BANKS.....		384

Sec. 4-201 [Rev]	Status of collecting bank as agent and provisional status of credits; applicability of article; item indorsed "pay any bank"
4-201[A][1] [Rev]	Introduction
4-201[B][1] [Rev]	Provisional credit
Sec. 4-202 [Rev]	Responsibility for collection or return; when action timely
4-202[A][1] [Rev]	Introduction
4-202[A][2] [Rev]	Federal Regulation
4-202[B][1] [Rev]	Responsibility for collection
Sec. 4-203 [Rev]	Effect of instructions
4-203[A][1] [Rev]	Introduction
Sec. 4-204 [Rev]	Methods of sending and presenting; sending directly to payor bank
4-204[A][1] [Rev]	Introduction
Sec. 4-205 [Rev]	Depository bank holder of unindorsed item
4-205[A][1] [Rev]	Introduction
4-205[B][1] [Rev]	Unindorsed item
Sec. 4-206 [Rev]	Transfer between banks
4-206[A][1] [Rev]	Introduction
Sec. 4-207 [Rev]	Transfer warranties
4-207[A][1] [Rev]	Introduction
4-207[B][1] [Rev]	Standing to sue
4-207[B][2] [Rev]	Breach of warranty v. conversion
4-207[B][3] [Rev]	Disclaiming transfer warranties
4-207[B][4] [Rev]	Damages
4-207[B][5][Rev]	Good faith
Sec. 4-208 [Rev]	Presentment warranties
4-208[A][1] [Rev]	Introduction
4-208[A][2] [Rev]	Unauthorized signature
4-208[B][1] [Rev]	Time of presentment
4-208[B][2] [Rev]	Breach of warranties
4-208[B][3] [Rev]	Damages
Sec. 4-209 [Rev]	Encoding and retention warranties
4-209[A][1] [Rev]	General
4-209[A][2] [Rev]	Encoding warranties

TABLE OF CONTENTS

4-209[A][3]	Federal Regulation
4-209[B][1] [Rev]	Encoding errors damages
Sec. 4-210 [Rev]	Security interest of collecting bank in items, accompanying documents and proceeds
4-210[A][1] [Rev]	Introduction
4-210[B][1] [Rev]	Security interest of collecting bank
Sec. 4-211 [Rev]	When bank gives value for purposes of holder in due course
4-211[A][1] [Rev]	Introduction
Sec. 4-212 [Rev]	Presentment by notice of item not payable by, through, or at bank; liability of drawer or indorser
4-212[A][1] [Rev]	General
4-212[B][1] [Rev]	Provisional settlements
Sec. 4-213 [Rev]	Medium and time of settlement by bank
4-213[A][1] [Rev]	Introduction
Sec. 4-214 [Rev]	Right of charge-back or refund; liability of collecting bank; return of item
4-214[A][1] [Rev]	General
4-214[A][2] [Rev]	Federal Regulation
4-214[A][3] [Rev]	Charge-back and the midnight deadline
4-214[B][1] [Rev]	Right of charge-back
Sec. 4-215 [Rev]	Final payment of item by payor bank; when provisional debits and credits become final; when certain credits become available for withdrawal
4-215[A][1] [Rev]	Introduction
4-215[B][1] [Rev]	When provisional debits and credits become final
Sec. 4-216 [Rev]	Insolvency and preference
4-216[A][1] [Rev]	Introduction
PART 3 COLLECTION OF ITEMS: PAYOR BANKS. 423	
Sec. 4-301 [Rev]	Deferred posting; recovery of payment by return of items; time of dishonor; return of items by payor bank
4-301[A][1] [Rev]	Introduction
4-301[A][2]	Impact of Federal Reserve Board Regulations

4-301[B][1] [Rev]	Encoding errors
4-301[B][2] [Rev]	Assignee's right to timely dishonor
4-301[B][3] [Rev]	Posting error
Sec. 4-302 [Rev]	Payor bank's responsibility for late return of item
4-302[A][1] [Rev]	Introduction
4-302[A][2]	Impact of Federal Reserve Regulations
4-302[B][1] [Rev]	Unjust enrichment
4-302[B][2] [Rev]	Claims and defenses against FDIC
4-302[B][3] [Rev]	Third-party claims
Sec. 4-303 [Rev]	When items subject to notice, stop-payment order, legal process, or setoff; order in which items may be charged or certified
4-303[A][1] [Rev]	General
4-303[A][2] [Rev]	Requirements for stop payment orders
4-303[A][3] [Rev]	Order in which items accepted or charged
4-303[B][1] [Rev]	Setoff: timeliness
4-303[B][2] [Rev]	Right to stop payment order
4-303[B][3] [Rev]	Reasonable time or opportunity to act
4-303[B][4] [Rev]	Order of items

PART 4 RELATIONSHIP BETWEEN PAYOR BANK AND ITS CUSTOMER 440

Sec. 4-401 [Rev]	When bank may charge customer's account
4-401[A][1] [Rev]	General
4-401[A][2] [Rev]	Bankruptcy discharge
4-401[A][3] [Rev]	Improper Payment
4-401[B][1] [Rev]	Applicability
4-401[B][2] [Rev]	Postdated checks
4-401[B][3] [Rev]	Measure of damages
4-401[B][4] [Rev]	Required signatures
Sec. 4-402 [Rev]	Bank's liability to customer for wrongful dishonor; time of determining insufficiency of account
4-402[A][1] [Rev]	Introduction
4-402[A][2] [Rev]	Who has the right to complain?
4-402[B][1] [Rev]	Liability for wrongful dishonor
Sec. 4-403 [Rev]	Customer's right to stop payment; burden of proof of loss
4-403[A][1] [Rev]	General
4-403[A][2] [Rev]	Duration of the stop order

TABLE OF CONTENTS

4-403[A][3] [Rev]	Customer's right to stop payment
4-403[B][1] [Rev]	Intentional infliction of emotional distress
4-403[B][2] [Rev]	Ineffective stop order
Sec. 4-404 [Rev]	Bank not obliged to pay check more than six months old
4-404[A][1] [Rev]	General
4-404[A][2] [Rev]	Good faith and the stale check
4-404[B][1] [Rev]	Interpretation of statute
Sec. 4-405 [Rev]	Death or incompetence of customer
4-405[A][1] [Rev]	Introduction
Sec. 4-406 [Rev]	Customer's duty to discover and report unauthorized signature or alteration
4-406[A][1] [Rev]	General
4-406[A][2] [Rev]	Time limits on notification to bank
4-406[A][2][a] [Rev]	—One-year rule
4-406[A][2][b] [Rev]	—Three-year rule
4-406[A][2][c] [Rev]	Variation of time limits
4-406[A][3] [Rev]	The "sending" of bank statements: 4-406(a) [Rev]
4-406[A][4] [Rev]	The "availability" of bank statements
4-406[B][1] [Rev]	Availability of statements
4-406[B][2] [Rev]	One-year rule
4-406[B][3] [Rev]	Customer's exercise of ordinary care
4-406[B][4] [Rev]	Notice
4-406[B][5] [Rev]	Shortening the time period
4-406[B][6] [Rev]	Bank's exercise of ordinary care
4-406[B][7] [Rev]	The "same wrongdoer rule"
Sec. 4-407 [Rev]	Payor bank's right to subrogation on improper payment
4-407[A][1] [Rev]	Introduction
4-407[B][1] [Rev]	Subrogation to holder in due course
4-407[B][2] [Rev]	Recovery from party paid

PART 5 COLLECTION OF DOCUMENTARY

DRAFTS 501

Sec. 4-501 [Rev]	Handling of documentary drafts; duty to send for presentment and to notify customer of dishonor
4-501[A][1] [Rev]	Introduction
Sec. 4-502 [Rev]	Presentment of "on arrival" drafts
4-502[A][1] [Rev]	Introduction

Sec. 4-503 [Rev]	Responsibility of presenting bank for documents and goods; report of reasons for dishonor; referee in case of need	
4-503[A][1] [Rev]	Introduction	
Sec. 4-504 [Rev]	Privilege of presenting bank to deal with goods; security interest for expenses	
4-504[A][1] [Rev]	Introduction	
ARTICLE 4A FUNDS TRANSFERS		505
PART 1 SUBJECT MATTER AND DEFINITIONS....		505
Sec. 4A-101	Short title	
4A-101[A][1]	Introduction	
Sec. 4A-102	Subject matter	
4A-102[A][1]	Introduction	
4A-102[A][2]	Scope	
4A-102[A][3]	Exclusions	
4A-102[A][4]	Wire transfers and missed stop order	
4A-102[B][1]	Debit transfers	
4A-102[B][2]	Scope of Article 4A	
Sec. 4A-103	Payment Order—Definitions	
4A-103[A][1]	Introduction	
4A-103[A][2]	Parties to a payment order	
4A-103[A][3]	Contents of the payment order	
4A-103[A][4]	Form and method of transmission	
4A-103[A][5]	Reimbursability	
4A-103[A][6]	Date of issuance of payment order	
4A-103[A][7]	Payment order calling for multiple payments	
4A-103[B][1]	Rollover instructions	
Sec. 4A-104	Funds Transfer—Definitions	
4A-104[A][1]	Introduction	
4A-104[A][2]	Funds transfer	
4A-104[A][3]	Payment orders in sequence	
4A-104[A][4]	Completion of the funds transfer	
4A-104[B][1]	Funds transfer	
Sec. 4A-105	Other definitions	
4A-105[A][1]	Introduction	
4A-105[A][2]	General definitions	
4A-105[A][3]	Definitions proper to Article 4A	
4A-105[A][4]	Definitions incorporated from other UCC articles	
4A-105[B][1]	Bank	
Sec. 4A-106	Time payment order is received	
4A-106[A][1]	Introduction	

TABLE OF CONTENTS

4A-106[A][2]	Issuance date of payment order
4A-106[A][3]	Receipt of payment order
4A-106[A][4]	Funds-transfer business day
4A-106[A][5]	Appropriate time schedules: cut-off times
4A-106[A][6]	Post cut-off communications
4A-106[A][7]	Non-working days
Sec. 4A-107	Federal reserve regulations and operating circulars
4A-107[A][1]	Introduction
4A-107[A][2]	Preemption
4A-107[B][1]	Preemption of common law claims
Sec. 4A-108	Relationship to Electronic Fund Transfer Act
4A-108[A][1]	Introduction
4A-108[A][2]	2012 amendment to 4A-108

PART 2 ISSUE AND ACCEPTANCE OF PAYMENT ORDER.....

535

Sec. 4A-201	Security procedure
4A-201[A][1]	Introduction
Sec. 4A-202	Authorized and verified payment orders
4A-202[A][1]	Background and structure of Part 2
4A-202[A][2]	Authorized payment orders
4A-202[A][3]	Unauthorized payment orders
4A-202[A][4]	“Verified” payment orders
4A-202[A][5]	Effectiveness of “verified” payment orders
4A-202[A][6]	Untimely or inconsistent payment orders
4A-202[A][7]	Amendment or cancellation
4A-202[A][8]	Role of deposit agreement
4A-202[A][9]	Commercially reasonable security procedures
4A-202[B][1]	Authorized payment orders
4A-202[B][2]	Commercially reasonable security procedures
Sec. 4A-203	Unenforceability of certain verified payment orders
4A-203[A][1]	Introduction
4A-203[A][2]	Verified payment orders: basic rule [4A-202(b)]
4A-203[A][3]	Verified payment orders: exception to basic rule
4A-203[A][4]	Customer entrusted person
4A-203[A][5]	Person obtaining access or information from a customer controlled source
4A-203[A][6]	Agreement to forego basic effectiveness rule
4A-203[A][7]	Verified payment order not enforceable
Sec. 4A-204	Refund of payment and duty of customer to report with respect to unauthorized payment order
4A-204[A][1]	Introduction
4A-204[A][2]	Unauthorized payment orders subject to 4A-204
4A-204[A][3]	Refund obligation of bank

xxxi

- 4A-204[A][4] Bank's interest obligation
- 4A-204[A][5] Customer's obligation to discover and report
- 4A-204[A][6] Ratification of unauthorized payment orders
- 4A-204[A][7] Recovery limited to refund?
- 4A-204[B][1] Refund obligation
- 4A-204[B][2] Notice
- Sec. 4A-205 Erroneous payment orders
 - 4A-205[A][1] Introduction
 - 4A-205[A][2] Error as to beneficiary
 - 4A-205[A][3] Error as to amount
 - 4A-205[A][4] Erroneous duplicate
 - 4A-205[A][5] Erroneous amendments
 - 4A-205[A][6] Sender's obligation to discover and report
 - 4A-205[A][7] Variation by agreement
 - 4A-205[A][8] Transmission errors
 - 4A-205[A][9] Error in the naming of a bank
 - 4A-205[B][1] Discharge for value defense
- Sec. 4A-206 Transmission of payment order through funds—Transfer or other communication system
 - 4A-206[A][1] Introduction
- Sec. 4A-207 Misdescription of beneficiary
 - 4A-207[A][1] Introduction
 - 4A-207[A][2] Nonexistent or unidentifiable beneficiary
 - 4A-207[A][3] Name and number in conflict
 - 4A-207[A][4] Nonexistent account number
 - 4A-207[B][1] Retroactive application
 - 4A-207[B][2] Conversion
 - 4A-207[B][3] Misdescription of beneficiary
 - § 4A-207[B][4] Preemption of common law claims
 - 4A-207[B][5] Privity requirement
- Sec. 4A-208 Misdescription of intermediary bank or beneficiary's bank
 - 4A-208[A][1] Introduction
 - 4A-208[A][2] Identification of bank by identification number only
 - 4A-208[A][3] Identification of bank by both name and identification number
- Sec. 4A-209 Acceptance of payment order
 - 4A-209[A][1] The "acceptance" concept
 - 4A-209[A][2] Acceptance by a bank other than the beneficiary bank
 - 4A-209[A][3] Acceptance by beneficiary's bank
 - 4A-209[A][4] Acceptance of beneficiary's bank by payment to beneficiary: 4A-209(b)(1)(i)
 - 4A-209[A][5] Acceptance of beneficiary's bank by notification of beneficiary: 4A-209(b)(1)(ii)

TABLE OF CONTENTS

4A-209[A][6]	Acceptance of beneficiary's bank by bank's receipt of funds: settlement: 4A-209(b)(2)
4A-209[A][7]	Acceptance of beneficiary's bank by lapse of time following receipt of funds: 4A-209(b)(3)
4A-209[A][8]	Deferral of payment or execution date
Sec. 4A-210	Rejection of payment order
4A-210[A][1]	Introduction
4A-210[A][2]	Rejection
4A-210[A][3]	Agreed upon rejection procedures
4A-210[A][4]	Rejection upon suspension of payments
4A-210[A][5]	Failure to reject
4A-210[A][6]	Termination of right to reject
4A-210[A][7]	Preclusion of subsequent acceptance
Sec. 4A-211	Cancellation and amendment of payment order
4A-211[A][1]	Introduction
4A-211[A][2]	Amendment or cancellation
4A-211[A][2][a]	—Reasonable time
4A-211[A][3]	Amendment of payment order
4A-211[A][4]	Stale payment orders: automatic cancellation
4A-211[A][5]	Death or incompetence of sender
4A-211[A][6]	Cancellation or amendment after a payment order has been accepted
4A-211[A][7]	Acceptance of a payment order after its cancellation
4A-211[B][1]	Return of mistakenly transferred funds
4A-211[B][2]	Cancellation or amendment of payment order
4A-211[B][3]	Stale payment orders: automatic cancellation
Sec. 4A-212	Liability and duty of receiving bank regarding unaccepted payment order
4A-212[A][1]	General rule regarding acceptance
4A-212[A][2]	Role of agreement
4A-212[A][3]	Liability on acceptance
4A-212[A][4]	Receiving bank not agent
4A-212[B][1]	Pre-emption of common law claims

PART 3 EXECUTION OF SENDER'S PAYMENT ORDER BY RECEIVING BANK 609

Sec. 4A-301	Execution and execution date
4A-301[A][1]	Introduction
4A-301[A][2]	Execution by receiving bank: 4A-301(a)
4A-301[A][3]	"Execution" by beneficiary's bank
4A-301[A][4]	"Execution date"
4A-301[A][5]	Determination of the "execution date"
4A-301[A][6]	Erroneous execution

- Sec. 4A-302 Obligations of receiving bank in execution of payment order
 - 4A-302[A][1] General obligations of receiving bank
 - 4A-302[A][2] Manner of execution
 - 4A-302[A][3] Prohibition against deduction of charges
 - 4A-302[B][1] General obligations of receiving bank
- Sec. 4A-303 Erroneous execution of payment order
 - 4A-303[A][1] Introduction
 - 4A-303[A][2] Issuance of duplicate in error: 4A-303(a)
 - 4A-303[A][3] Issuance of a payment order in greater amount: 4A-303(a)
 - 4A-303[A][4] Issuance of payment order in lesser amount: 4A-303(b)
 - 4A-303[A][5] Issuance of payment order in favor of wrong beneficiary: 4A-303(c)
 - 4A-303[B][1] Erroneous transfers
- Sec. 4A-304 Duty of sender to report erroneously executed payment order
 - 4A-304[A][1] Introduction
- Sec. 4A-305 Liability for late or improper execution or failure to execute payment order
 - 4A-305[A][1] Improper execution resulting in delay: 4A-305(a)
 - 4A-305[A][2] Improper execution resulting in more than delay: 4A-305(b)
 - 4A-305[A][3] Breach of agreement to execute: 4A-305(d)
 - 4A-305[A][4] Consequential damages

PART 4 PAYMENT 627

- Sec. 4A-401 Payment date
 - 4A-401[A][1] Payment date
 - 4A-401[A][2] Determination of payment date
- Sec. 4A-402 Obligation of sender to pay receiving bank
 - 4A-402[A][1] Introduction
 - 4A-402[A][2] Payment order issued to beneficiary's bank
 - 4A-402[A][3] Payment order issued to a bank other than the beneficiary's bank
 - 4A-402[A][4] Refund: general rule
 - 4A-402[A][5] Special intermediary bank rule on refunds
 - 4A-402[B][1] Refund from next bank in line
 - 4A-402[B][2] Attachable interests
- Sec. 4A-403 Payment by sender to receiving bank
 - 4A-403[A][1] Introduction
- Sec. 4A-404 Obligation of beneficiary's bank to pay and give notice to beneficiary
 - 4A-404[A][1] Introduction

TABLE OF CONTENTS

4A-404[A][2]	Beneficiary bank's obligation to pay beneficiary: 4A-404(a)
4A-404[A][3]	Refusal to pay: consequential damages
4A-404[A][4]	Duty to notify beneficiary of receipt of payment order
4A-404[A][5]	Failure to notify as required
4A-404[B][1]	Beneficiary bank's obligation to pay beneficiary
Sec. 4A-405	Payment by beneficiary's bank to beneficiary
4A-405[A][1]	Introduction
4A-405[A][2]	Payment by crediting beneficiary's account: 4A-405(a)
4A-405[A][3]	Payment by other than crediting beneficiary's account: 4A-405(b)
4A-405[A][4]	Payment upon condition of return: 4A-405(c)
4A-405[A][5]	Provisional payments within a funds-transfer system: 4A-405(d)
4A-405[A][6]	Loss-sharing procedures within funds-transfer system: 4A-405(e)
4A-405[B][1]	Payment order
4A-405[B][2]	Payment by crediting beneficiary's account
Sec. 4A-406	Payment by originator to beneficiary; discharge of underlying obligation
4A-406[A][1]	Introduction
4A-406[A][2]	Satisfaction upon acceptance of beneficiary's bank
4A-406[A][3]	Discharge of underlying obligation
4A-406[A][4]	Deduction of fees and charges
4A-406[B][1]	Payment to incorrect account
 PART 5 MISCELLANEOUS PROVISIONS..... 648	
Sec. 4A-501	Variation by agreement and effect of funds—Transfer system rule
4A-501[A][1]	Introduction
4A-501[A][2]	Variation by agreement
4A-501[A][3]	Variation by funds—Transfer system rule
4A-501[A][4]	Federal reserve regulations and circulars
4A-501[B][1]	Tort action not barred
Sec. 4A-502	Creditor process served on receiving bank; setoff by beneficiary's bank
4A-502[A][1]	Creditor process
4A-502[A][2]	Service on beneficiary's account in beneficiary bank
4A-502[A][3]	Proper method of reaching funds involved in funds transfer
4A-502[B][1]	Garnishment
Sec. 4A-503	Injunction or restraining order with respect to funds transfer
4A-503[A][1]	Introduction

4A-503[A][2]	Attachment or freezing of funds transfers that “pass through”
4A-503[B][1]	Injunctions
Sec. 4A-504	Order in which items and payment orders may be charged to account; order of withdrawals from account
4A-504[A][1]	Priority among charges: multiple payment orders
4A-504[A][2]	Withdrawal or application of credit
Sec. 4A-505	Preclusion of objection to debit of customer’s account
4A-505[A][1]	Introduction
4A-505[B][1]	One-year period
4A-505[B][2]	Inapplicability to common law claims
Sec. 4A-506	Rate of interest
4A-506[A][1]	Rate of interest
4A-506[A][2]	Adjustment for no-fault refunds
Sec. 4A-507	Choice of law
4A-507[A][1]	Choice of law: residual rules
4A-507[A][2]	Choice of law: agreement
4A-507[A][3]	Choice of law: funds—Transfer system rule

ARTICLE 5 LETTERS OF CREDIT 669

Sec. 5-101	Short title
5-101[A][1]	Introduction—The Pre-1995 version of Article 5
5-101[A][2]	General discussion of letters of credit
5-101[A][2][a]	Form of credit and application for credit—The letter of credit
5-101[A][2][b]	—Application for credit
5-101[A][3]	Applicable law
5-101[A][4]	Operational aspects
Sec. 5-102	Scope
5-102[A][1]	An overview of 5-102
5-102[A][2]	Norms for determining “letter of credit” status
5-102[A][3]	Negative norms
5-102[A][4]	Applicable law
5-102[A][5]	The documentary or sales letter of credit
5-102[A][6]	The standby letter of credit
5-102[A][7]	Credit versus guaranty
5-102[A][8]	Ambiguity in the letter of credit
5-102[A][9]	Counterpart section in Revised Article 5
5-102[B][1]	Status as a “credit”
5-102[B][2][a]	Applicable law—Territorial applicability
5-102[B][2][b]	—Relation to noncode local law
5-102[B][2][c]	—Uniform customs and practices
Sec. 5-103	Definitions
5-103[A][1]	The role of 5-103

TABLE OF CONTENTS

5-103[A][2]	Letter of credit
5-103[A][3]	“Document” and “documentary” demand
5-103[A][4]	Issuer
5-103[A][5]	Beneficiary
5-103[A][6]	Advising bank
5-103[A][7]	Confirming bank
5-103[A][8]	“Customer”
5-103[A][9]	Revocable versus irrevocable credits
5-103[A][10]	Clean letters of credit
5-103[A][11]	Counterpart sections in Revised Article 5
5-103[B][1][a]	“Letter of credit”—Status as credit
5-103[B][1][b]	“Letter of credit”—Compliance with conditions
5-103[B][2]	“Customer”
5-103[B][3]	“Beneficiary”
5-103[B][4]	“Documentary draft”
5-103[B][5]	Confirming bank
5-103[B][6]	Revocable versus irrevocable
Sec. 5-104	Formal requirements; signing
5-104[A][1]	Introduction
5-104[A][2]	Counterpart section in Revised Article 5
5-104[B][1]	Necessity for issuer’s signature
Sec. 5-105	Consideration
5-105[A][1]	Introduction
5-105[A][2]	Counterpart section in Revised Article 5
5-105[B][1]	In general
Sec. 5-106	Time and effect of establishment of credit
5-106[A][1]	Revocable versus irrevocable credit
5-106[A][2]	Establishment
5-106[A][3]	Irrevocable credit
5-106[A][4]	Revocable credit
5-106[A][5]	Ambiguous credit
5-106[A][6]	Expiration of credit
5-106[A][7]	Counterpart section in Revised Article 5
5-106[B][1]	Consent of beneficiary
5-106[B][2]	Consent of beneficiary but not customer
5-106[B][3]	Ambiguous credits
Sec. 5-107	Advice of credit; confirmation; error in statement of terms
5-107[A][1]	Issuance, advice, confirmation: the concepts
5-107[A][2]	The advising bank
5-107[A][3]	The confirming bank
5-107[A][4]	Procedures for obtaining payment from confirming bank
5-107[A][5]	Silent confirmation
5-107[A][7]	Counterpart section in Revised Article 5

- 5-107[B][1] Advising bank
- 5-107[B][2] Confirming bank
- Sec. 5-108 "Notation credit"; exhaustion of credit
 - 5-108[A][1] The role of 5-108
 - 5-108[A][2] Notation credit
 - 5-108[A][3] Nonnotation credit
 - 5-108[A][4] Treatment in Revised Article 5
 - 5-108[B][1] Honoring draft; effect
- Sec. 5-109 Issuer's obligation to its customer
 - 5-109[A][1] Letter of credit relationships
 - 5-109[A][2] The issuer's obligation to its customer
 - 5-109[A][3] Contractual variance of issuer-customer relationship
 - 5-109[A][4] Counterpart section in Revised Article 5
 - 5-109[B][1] Relation of credit to underlying obligation
 - 5-109[B][2] Conformity of documents to credit
 - 5-109[B][3] Obligations of confirming bank
 - 5-109[B][4][a] Contractual variations of credit—Cancellation term in irrevocable credit
 - 5-109[B][5] Effect on customer of compromise settlement between issuer and beneficiary
- Sec. 5-110 Availability of credit in portions; presenter's reservation of lien or claim
 - 5-110[A][1] Introduction
 - 5-110[A][2] Counterpart section in Revised Article 5
 - 5-110[B][1] Relinquishment of claim
 - 5-110[B][2] Reservation of claim
- Sec. 5-111 Warranties on transfer and presentment
 - 5-111[A][1] Warranties
 - 5-111[A][2] Repudiation
 - 5-111[A][3] Counterpart section in Revised Article 5
 - 5-111[B][1] Warranties of beneficiary
 - 5-111[B][1][a] —Compliance with credit
 - 5-111[B][1][b] —To "all interested parties"
 - 5-111[B][2] Warranties of intermediary
- Sec. 5-112 Time allowed for honor or rejection; withholding honor or rejection by consent; "presenter"
 - 5-112[A][1] Authorized delay
 - 5-112[A][2] Examination and adjustments
 - 5-112[A][3] Unauthorized delay
 - 5-112[A][4] Submission "on approval"
 - 5-112[A][5] Counterpart sections in Revised Article 5
 - 5-112[B][1] Specification of defects during delay period
 - 5-112[B][2] Consent to extension
 - 5-112[B][3] Notice of dishonor

TABLE OF CONTENTS

Sec. 5-113 Indemnities

- 5-113[A][1] Introduction
- 5-113[A][2] Counterpart section in Revised Article 5
- 5-113[B][1] Bank usage and practice

Sec. 5-114 Issuer's duty and privilege to honor; right to reimbursement

- 5-114[A][1] Overview of 5-114
- 5-114[A][2] The issuer's obligation to honor the credit
- 5-114[A][3] The "to satisfaction" term
- 5-114[A][4] Ambiguities in the credit
- 5-114[A][5] Standards as to compliance
- 5-114[A][6] Role of past practices
- 5-114[A][7] Relation of credit to underlying obligation
- 5-114[A][8] Reimbursement
- 5-114[A][9] Pay first-examine later
- 5-114[A][10] Objection to honor
- 5-114[A][11] Forgery and fraud in the documentation
- 5-114[A][12] Fraud in the transaction
- 5-114[A][13] Political turmoil as "fraud in the transaction"
- 5-114[A][14] Injunction against honor
- 5-114[A][15] Death and the letter of credit
- 5-114[A][16] Jurisdiction
- 5-114[A][17] Liability after issuer's failure
- 5-114[A][18] 1994 Amendments: Article 8 [Rev]
- 5-114[A][19] Cure
- 5-114[A][20] Counterpart sections in Revised Article 5
- 5-114[B][1] Obligation to honor
- 5-114[B][1][a] Expiry or expiration
- 5-114[B][2] Ambiguities in the credit
- 5-114[B][3] Relation of credit to underlying obligation
- 5-114[B][4] Standards as to compliance
- 5-114[B][5] Waiver of requirements
- 5-114[B][6] Timeliness of presentation
- 5-114[B][7] Notice to customer
- 5-114[B][8][a] Injunction against honor—Injunction granted
- 5-114[B][8][b] —Injunction denied
- 5-114[B][8][c] —Injunction against beneficiary
- 5-114[B][9] Fraud in documents or transaction
- 5-114[B][10] Bankruptcy of customer
- 5-114[B][11] Issuer subrogation
- 5-114[B][12] Recovery under banker's blanket bond
- 5-114[B][13] Relationship to reimbursement agreement
- 5-114[B][14] Application of independence principle

Sec. 5-115 Remedy for improper dishonor or anticipatory repudiation

5-115[A][1]	Overview of 5-115
5-115[A][2]	Wrongful dishonor
5-115[A][3]	Repudiation or cancellation of credit
5-115[A][4]	Wrongful dishonor and the revocable credit
5-115[A][5]	Duty to mitigate
5-115[A][6]	Counterpart section in Revised Article 5
5-115[B][1]	Mitigation of damages
5-115[B][2]	Incidental damages
5-115[B][3]	Anticipatory repudiation
5-115[B][4]	Reimbursement
5-115[B][5]	Punitive damages
5-115[B][6]	Wrongful dishonor
Sec. 5-116	Transfer and assignment
5-116[A][1]	Assignment and transfer under 5-116
5-116[A][2]	Assignment of the credit
5-116[A][3]	Assignment of proceeds
5-116[A][4]	Negotiation of drafts under credit
5-116[A][5]	Counterpart sections in Revised Article 5
5-116[B][1]	Assignability of credit
5-116[B][2]	Consequences of assignment of credit
5-116[B][3]	Assignment of proceeds to multiple parties
5-116[B][4]	Attachment
5-116[B][5]	Partial assignments
Sec. 5-117	Insolvency of bank holding funds for documentary credit
5-117[A][1]	Introduction
5-117[A][2]	Treatment in Revised Article 5