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HOUSE BILL 1579

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State of Washington                      52nd Legislature                      1991 Regular Session

By Representatives Appelwick, Dellwo and Paris.

Read first time February 4, 1991. Referred to Committee on Financial Institutions & Insurance.

1            AN ACT Relating to the uniform commercial code; amending RCW 62A.4-  
2 101, 62A.4-102, 62A.4-103, 62A.4-104, 62A.4-105, 62A.4-106, 62A.4-107,  
3 62A.4-108, 62A.4-201, 62A.4-202, 62A.4-203, 62A.4-204, 62A.4-205,  
4 62A.4-206, 62A.4-207, 62A.4-208, 62A.4-209, 62A.4-210, 62A.4-211,  
5 62A.4-212, 62A.4-213, 62A.4-214, 62A.4-301, 62A.4-302, 62A.4-303,  
6 62A.4-401, 62A.4-402, 62A.4-403, 62A.4-405, 62A.4-406, 62A.4-407,  
7 62A.4-501, 62A.4-502, 62A.4-503, and 62A.4-504; adding new sections to  
8 Article 4 of Title 62A RCW; creating a new section; and repealing RCW  
9 62A.4-109.

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

11            **Sec. 1.** RCW 62A.4-101 and 1965 ex.s. c 157 s 4-101 are each  
12 amended to read as follows:

13            SHORT TITLE. This Article (~~shall be known and~~) may be cited as  
14 Uniform Commercial Code--Bank Deposits and Collections.

1       **Sec. 2.** RCW 62A.4-102 and 1965 ex.s. c 157 s 4-102 are each  
2 amended to read as follows:

3       APPLICABILITY. (1) To the extent that items within this Article  
4 are also within ~~((the scope of))~~ Articles 3 and 8, they are subject to  
5 ~~((the provisions of))~~ those Articles. ~~((In the event of))~~ If there is  
6 conflict ~~((the provisions of))~~, this Article governs ~~((those of))~~  
7 Article 3, but ~~((the provisions of))~~ Article 8 governs ~~((those of))~~  
8 this Article.

9       (2) The liability of a bank for action or non-action with respect  
10 to ~~((any))~~ an item handled by it for purposes of presentment, payment,  
11 or collection is governed by the law of the place where the bank is  
12 located. In the case of action or non-action by or at a branch or  
13 separate office of a bank, its liability is governed by the law of the  
14 place where the branch or separate office is located.

15       **Sec. 3.** RCW 62A.4-103 and 1965 ex.s. c 157 s 4-103 are each  
16 amended to read as follows:

17       VARIATION BY AGREEMENT; MEASURE OF DAMAGES; ~~((CERTAIN))~~ ACTION  
18 CONSTITUTING ORDINARY CARE. (1) The effect of the provisions of this  
19 Article may be varied by agreement ~~((except that no agreement can))~~,  
20 but the parties to the agreement cannot disclaim a bank's  
21 responsibility for its ~~((own))~~ lack of good faith or failure to  
22 exercise ordinary care or ~~((can))~~ limit the measure of damages for  
23 ~~((such))~~ the lack or failure~~((; but))~~. However, the parties may  
24 determine by agreement ~~((determine))~~ the standards by which ~~((such))~~  
25 the bank's responsibility is to be measured if ~~((such))~~ those standards  
26 are not manifestly unreasonable.

27       (2) Federal Reserve regulations and operating ~~((letters))~~  
28 circulares, clearing-house rules, and the like~~((;))~~ have the effect of

1 agreements under subsection (1), whether or not specifically assented  
2 to by all parties interested in items handled.

3 (3) Action or non-action approved by this Article or pursuant to  
4 Federal Reserve regulations or operating ~~((letters—constitutes))~~  
5 circulars is the exercise of ordinary care and, in the absence of  
6 special instructions, action or non-action consistent with clearing\_  
7 house rules and the like or with a general banking usage not  
8 disapproved by this Article, is prima facie ~~((constitutes))~~ the  
9 exercise of ordinary care.

10 (4) The specification or approval of certain procedures by this  
11 Article ~~((does))~~ is not ~~((constitute))~~ disapproval of other procedures  
12 ~~((which))~~ that may be reasonable under the circumstances.

13 (5) The measure of damages for failure to exercise ordinary care in  
14 handling an item is the amount of the item reduced by an amount  
15 ~~((which))~~ that could not have been realized by the ~~((use))~~ exercise of  
16 ordinary care~~((, and where))~~. If there is also bad faith it includes  
17 any other damages~~((, if any, suffered by))~~ the party suffered as a  
18 proximate consequence.

19 **Sec. 4.** RCW 62A.4-104 and 1981 c 122 s 1 are each amended to read  
20 as follows:

21 DEFINITIONS AND INDEX OF DEFINITIONS. (1) In this Article, unless  
22 the context otherwise requires:

23 (a) "Account" means any deposit or credit account with a bank ~~((and~~  
24 includes)), including a ~~((checking))~~ demand, time, ~~((interest—or))~~  
25 savings, passbook, share draft, or like account, other than an account  
26 evidenced by a certificate of deposit;

27 (b) "Afternoon" means the period of a day between noon and  
28 midnight;

1 (c) "Banking day" means ~~((that))~~ the part of ((any)) a day on which  
2 a bank is open to the public for carrying on substantially all of its  
3 banking functions, except that it shall not include a Saturday, Sunday,  
4 or legal holiday;

5 (d) "Clearing house" means ~~((any))~~ an association of banks or other  
6 payors regularly clearing items;

7 (e) "Customer" means ~~((any))~~ a person having an account with a bank  
8 or for whom a bank has agreed to collect items ~~((and includes)),~~  
9 including a bank ((carrying)) that maintains an account ((with)) at  
10 another bank;

11 (f) "Documentary draft" means ~~((any negotiable or non-negotiable~~  
12 ~~draft with accompanying documents, securities or other papers to be~~  
13 ~~delivered against honor of the draft))~~ a draft to be presented for  
14 acceptance or payment if specified documents, certificated securities  
15 (RCW 62A.8-102) or instructions for uncertificated securities (RCW  
16 62A.8-308), or other certificates, statements, or the like are to be  
17 received by the drawee or other payor before acceptance or payment of  
18 the draft;

19 (g) "Draft" means a draft as defined in RCW 62A.3-104 or an item,  
20 other than an instrument, that is an order;

21 (h) "Drawee" means a person ordered in a draft to make payment;

22 ~~((g))~~ (i) "Item" means ~~((any))~~ an instrument ((for the)) or a  
23 promise or order to pay money handled by a bank for collection or  
24 payment ((of money even though it is not negotiable but does not  
25 include money)). The term does not include a payment order governed by  
26 Article 4A (H-0690/91) or a credit or debit card slip;

27 ~~((h))~~ (j) "Midnight deadline" with respect to a bank is midnight  
28 on its next banking day following the banking day on which it receives  
29 the relevant item or notice or from which the time for taking action  
30 commences to run, whichever is later;

1       (~~((i))~~) "~~Properly payable~~" ~~includes the availability of funds for~~  
2 ~~payment at the time of decision to pay or dishonor;~~

3       (~~(j))~~) (k) "Settle" means to pay in cash, by clearing-house  
4 settlement, in a charge or credit or by remittance, or otherwise as  
5 (~~(instructed)~~) agreed. A settlement may be either provisional or  
6 final;

7       (~~((k))~~) (l) "Suspends payments" with respect to a bank means that  
8 it has been closed by order of the supervisory authorities, that a  
9 public officer has been appointed to take it over or that it ceases or  
10 refuses to make payments in the ordinary course of business.

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

13       "Agreement for electronic presentment" section 10 of this act.

14       "Bank" RCW 62A.4-105.

15       "Collecting bank" RCW 62A.4-105.

16       "Depository bank" RCW 62A.4-105.

17       "Intermediary bank" RCW 62A.4-105.

18       "Payor bank" RCW 62A.4-105.

19       "Presenting bank" RCW 62A.4-105.

20       (~~("Remitting bank" RCW 62A.4-105.)~~)

21       "Presentment notice" section 10 of this act.

22       (3) The following definitions in other Articles apply to this  
23 Article:

24       "Acceptance" RCW (~~(62A.3-410)~~) 62A.3-409.

25       "Alteration" RCW 62A.3-407.

26       "Cashier's check" RCW 62A.3-104.

27       "Certificate of deposit" RCW 62A.3-104.

28       (~~("Certification" RCW 62A.3-411.)~~)

29       "Certified check" RCW 62A.3-409.

30       "Check" RCW 62A.3-104.

1 "Draft" RCW 62A.3-104.  
2 "Good faith" RCW 62A.3-103.  
3 "Holder in due course" RCW 62A.3-302.  
4 "Instrument" RCW 62A.3-104.  
5 "Notice of dishonor" RCW ((~~62A.3-508~~)) 62A.3-503.  
6 "Order" RCW 62A.3-103.  
7 "Ordinary care" RCW 62A.3-103.  
8 "Person entitled to enforce" RCW 62A.3-301.  
9 "Presentment" RCW ((~~62A.3-504~~)) 62A.3-501.  
10 "Promise" RCW 62A.3-103.  
11 ((~~"Protest" RCW 62A.3-509.~~))  
12 "Prove" RCW 62A.3-103.  
13 ((~~"Secondary party" RCW 62A.3-102.~~))  
14 "Teller's check" RCW 62A.3-104.  
15 "Unauthorized signature" RCW 62A.3-403.

16 (4) In addition Article 1 contains general definitions and  
17 principles of construction and interpretation applicable throughout  
18 this Article.

19 **Sec. 5.** RCW 62A.4-105 and 1965 ex.s. c 157 s 4-105 are each  
20 amended to read as follows:

21 "BANK"; "DEPOSITARY BANK"; "PAYOR BANK"; "INTERMEDIARY BANK";  
22 "COLLECTING BANK"; ((~~"PAYOR BANK";~~)) "PRESENTING BANK"((~~;"REMITTING~~  
23 BANK"))). In this Article ((~~unless the context otherwise requires~~)):

24 (a) "Bank" means a person engaged in the business of banking,  
25 including a savings bank, savings and loan association, credit union,  
26 or trust company;

27 (b) "Depositary bank" means the first bank to ((~~which~~)) take an

28 item ((~~is transferred for collection~~)) even though it is also the payor

1 bank, unless the item is presented for immediate payment over the  
2 counter;

3 ~~((b))~~ (c) "Payor bank" means a bank ~~((by which an item))~~ that is  
4 ~~((payable as drawn or accepted))~~ the drawee of a draft;

5 ~~((e))~~ (d) "Intermediary bank" means ~~((any))~~ a bank to which an  
6 item is transferred in course of collection except the depositary or  
7 payor bank;

8 ~~((d))~~ (e) "Collecting bank" means ~~((any))~~ a bank handling the  
9 item for collection except the payor bank;

10 ~~((e))~~ (f) "Presenting bank" means ~~((any))~~ a bank presenting an  
11 item except a payor bank(;

12 ~~(f) "Remitting bank" means any payor or intermediary bank remitting~~  
13 ~~for an item)).~~

14 NEW SECTION. Sec. 6. A new section is added to Article 4 of Title  
15 62A RCW to read as follows:

16 PAYABLE THROUGH OR PAYABLE AT BANK; COLLECTING BANK. (1) If an  
17 item states that it is "payable through" a bank identified in the item,  
18 (a) the item designates the bank as a collecting bank and does not by  
19 itself authorize the bank to pay the item, and (b) the item may be  
20 presented for payment only by or through the bank.

21 **Alternative A**

22 (2) If an item states that it is "payable at" a bank identified in  
23 the item, the item is equivalent to a draft drawn on the bank.

24 **Alternative B**

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

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

4 **Sec. 7.** RCW 62A.4-106 and 1965 ex.s. c 157 s 4-106 are each  
5 amended to read as follows:

6 SEPARATE OFFICE OF A BANK. A branch or separate office of a bank  
7 is a separate bank for the purpose of computing the time within which  
8 and determining the place at or to which action may be taken or notices  
9 or orders (~~shall~~) must be given under this Article and under Article  
10 3.

11 **Sec. 8.** RCW 62A.4-107 and 1965 ex.s. c 157 s 4-107 are each  
12 amended to read as follows:

13 TIME OF RECEIPT OF ITEMS. (1) For the purpose of allowing time to  
14 process items, prove balances, and make the necessary entries on its  
15 books to determine its position for the day, a bank may fix an  
16 afternoon hour of two P.M. or later as a cut-off hour for the handling  
17 of money and items and the making of entries on its books.

18 (2) (~~Any~~) A item or deposit of money received on any day after a  
19 cut-off hour so fixed or after the close of the banking day may be  
20 treated as being received at the opening of the next banking day.

21 **Sec. 9.** RCW 62A.4-108 and 1965 ex.s. c 157 s 4-108 are each  
22 amended to read as follows:

23 DELAYS. (1) Unless otherwise instructed, a collecting bank in a  
24 good faith effort to secure payment (~~may, in the case~~) of a specific  
25 item(~~s~~) drawn on a payor other than a bank, and with or without the  
26 approval of any person involved, may waive, modify, or extend time  
27 limits imposed or permitted by this Title for a period not (~~in excess~~

1 ~~of an~~) exceeding two additional banking days without discharge of  
2 (~~secondary parties and without~~) drawers or indorsers or liability to  
3 its transferor or (~~any~~) a prior party.

4 (2) Delay by a collecting bank or payor bank beyond time limits  
5 prescribed or permitted by this Title or by instructions is excused if  
6 (a) the delay is caused by interruption of communication or computer  
7 facilities, suspension of payments by another bank, war, emergency  
8 conditions, failure of equipment, or other circumstances beyond the  
9 control of the bank (~~provided it~~), and (b) the bank exercises such  
10 diligence as the circumstances require.

11 NEW SECTION. Sec. 10. A new section is added to Article 4 of  
12 Title 62A RCW to read as follows:

13 ELECTRONIC PRESENTMENT. (1) "Agreement for electronic presentment"  
14 means an agreement, clearing-house rule, or Federal Reserve regulation  
15 or operating circular, providing that presentment of an item may be  
16 made by transmission of an image of an item or information describing  
17 the item ("presentment notice") rather than delivery of the item  
18 itself. The agreement may provide for procedures governing retention,  
19 presentment, payment, dishonor, and other matters concerning items  
20 subject to the agreement.

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

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

26 NEW SECTION. Sec. 11. A new section is added to Article 4 of  
27 Title 62A RCW to read as follows:

1 STATUTE OF LIMITATIONS. An action to enforce an obligation, duty,  
2 or right arising under this Article must be commenced within three  
3 years after the cause of action accrues.

4 **Sec. 12.** RCW 62A.4-201 and 1965 ex.s. c 157 s 4-201 are each  
5 amended to read as follows:

6 ((PRESUMPTION AND DURATION OF AGENCY)) STATUS OF COLLECTING  
7 BANK((S)) AS AGENT AND PROVISIONAL STATUS OF CREDITS; APPLICABILITY OF  
8 ARTICLE; ITEM INDORSED "PAY ANY BANK". (1) Unless a contrary intent  
9 clearly appears and ((prior to)) before the time that a settlement  
10 given by a collecting bank for an item is or becomes final  
11 ((subsection (3) of RCW 62A.4-211 and RCW 62A.4-212 and RCW 62A.4-  
12 213)), the bank, with respect to the item, is an agent or sub-agent of  
13 the owner of the item and any settlement given for the item is  
14 provisional. This provision applies regardless of the form of  
15 indorsement or lack of indorsement and even though credit given for the  
16 item is subject to immediate withdrawal as of right or is in fact  
17 withdrawn; but the continuance of ownership of an item by its owner and  
18 any rights of the owner to proceeds of the item are subject to rights  
19 of a collecting bank such as those resulting from outstanding advances  
20 on the item and ((valid)) rights of recoupment or setoff. ((When)) If  
21 an item is handled by banks for purposes of presentment, payment  
22 ((and)), collection, or return, the relevant provisions of this Article  
23 apply even though action of the parties clearly establishes that a  
24 particular bank has purchased the item and is the owner of it.

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

28 (a) ((until the item has been)) Returned to the customer initiating  
29 collection; or

1 (b) (~~until the item has been~~) Specially indorsed by a bank to a  
2 person who is not a bank.

3 **Sec. 13.** RCW 62A.4-202 and 1965 ex.s. c 157 s 4-202 are each  
4 amended to read as follows:

5 RESPONSIBILITY FOR COLLECTION OR RETURN; WHEN ACTION ((SEASONABLE))  
6 TIMELY. (1) A collecting bank must ((use)) exercise ordinary care in:

7 (a) Presenting an item or sending it for presentment; ((and))

8 (b) Sending notice of dishonor or non-payment or returning an item  
9 other than a documentary draft to the bank's transferor ((or directly  
10 to the depository bank under subsection (2) of RCW 62A.4-212)) after  
11 learning that the item has not been paid or accepted, as the case may  
12 be; ((and))

13 (c) Settling for an item when the bank receives final settlement;  
14 and

15 (d) (~~making or providing for any necessary protest; and~~

16 ~~(e))~~) Notifying its transferor of any loss or delay in transit  
17 within a reasonable time after discovery thereof.

18 (2) (~~A collecting bank taking proper action before its midnight  
19 deadline following receipt of an item, notice or payment acts  
20 seasonably; taking proper action within a reasonably longer time may be  
21 seasonable but the bank has the burden of so establishing.))~~ A  
22 collecting bank exercises ordinary care under subsection (1) by taking  
23 proper action before its midnight deadline following receipt of an  
24 item, notice, or settlement. Taking proper action within a reasonably  
25 longer time may constitute the exercise of ordinary care, but the bank  
26 has the burden of establishing timeliness.

27 (3) Subject to subsection (1)(a), a bank is not liable for the  
28 insolvency, neglect, misconduct, mistake or default of another bank or

1 person or for loss or destruction of an item in the possession of  
2 others or in transit (~~or in the possession of others~~)).

3 **Sec. 14.** RCW 62A.4-203 and 1965 ex.s. c 157 s 4-203 are each  
4 amended to read as follows:

5 EFFECT OF INSTRUCTIONS. Subject to (~~the provisions of~~) Article  
6 3 concerning conversion of instruments (~~(RCW 62A.3-419)~~) (RCW 62A.3-  
7 420 (section 3-420, chapter ..., Laws of 1991 [H-0687/91])) and (~~the~~  
8 ~~provisions of both Article 3 and this Article concerning~~) restrictive  
9 indorsements (RCW 62A.3-206), only a collecting bank's transferor can  
10 give instructions (~~which~~) that affect the bank or constitute notice  
11 to it, and a collecting bank is not liable to prior parties for any  
12 action taken pursuant to (~~such~~) the instructions or in accordance  
13 with any agreement with its transferor.

14 **Sec. 15.** RCW 62A.4-204 and 1965 ex.s. c 157 s 4-204 are each  
15 amended to read as follows:

16 METHODS OF SENDING AND PRESENTING; SENDING (~~DIRECT~~) DIRECTLY TO  
17 PAYOR BANK. (1) A collecting bank (~~must~~) shall send items by a  
18 reasonably prompt method, taking into consideration (~~any~~) relevant  
19 instructions, the nature of the item, the number of (~~such~~) those  
20 items on hand, (~~and~~) the cost of collection involved, and the method  
21 generally used by it or others to present (~~such~~) those items.

22 (2) A collecting bank may send:

23 (a) (~~any~~) An item (~~direct~~) directly to the payor bank;

24 (b) (~~any~~) An item to (~~any~~) a non-bank payor if authorized by  
25 its transferor; and

26 (c) (~~any~~) An item other than documentary drafts to (~~any~~) a non-  
27 bank payor, if authorized by Federal Reserve regulation or operating  
28 (~~letter~~) circular, clearing-house rule, or the like.

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

3 **Sec. 16.** RCW 62A.4-205 and 1965 ex.s. c 157 s 4-205 are each  
4 amended to read as follows:

5 (~~(SUPPLYING MISSING INDORSEMENT; NO NOTICE FROM PRIOR~~  
6 ~~INDORSEMENT.)~~) DEPOSITARY BANK HOLDER OF UNINDORSED ITEM.

7 If a customer delivers an item to a depositary bank for collection:

8 (1) (~~(A depositary bank which has taken an item for collection may~~  
9 ~~supply any indorsement of the customer which is necessary to title~~  
10 ~~unless the item contains the words "payee's indorsement required" or~~  
11 ~~the like. In the absence of such a requirement a statement placed on~~  
12 ~~the item by the depositary bank to the effect that the item was~~  
13 ~~deposited by a customer or credited to his account is effective as the~~  
14 ~~customer's indorsement.~~

15 (2) ~~An intermediary bank, or payor bank which is not a depositary~~  
16 ~~bank, is neither given notice nor otherwise affected by a restrictive~~  
17 ~~indorsement of any person except the bank's immediate transferor.)~~) The  
18 depositary bank becomes a holder of the item at the time it receives  
19 the item for collection if the customer at the time of delivery was a  
20 holder of the item, whether or not the customer indorses the item, and,  
21 if the bank satisfies the other requirements of RCW 62A.3-302, it is a  
22 holder in due course; and

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

26 **Sec. 17.** RCW 62A.4-206 and 1965 ex.s. c 157 s 4-206 are each  
27 amended to read as follows:

1       TRANSFER BETWEEN BANKS.       Any agreed method (~~((which))~~) that  
2 identifies the transferor bank is sufficient for the item's further  
3 transfer to another bank.

4       **Sec. 18.**   RCW 62A.4-207 and 1965 ex.s. c 157 s 4-207 are each  
5 amended to read as follows:

6       ~~TRANSFER WARRANTIES ((OF CUSTOMER AND COLLECTING BANK ON TRANSFER~~  
7 ~~OR PRESENTMENT OF ITEMS; TIME FOR CLAIMS))).   (1) ((Each customer or~~  
8 ~~collecting bank who obtains payment or acceptance of an item and each~~  
9 ~~prior customer and collecting bank warrants to the payor bank or other~~  
10 ~~payor who in good faith pays or accepts the item that~~

11       ~~(a) he has a good title to the item or is authorized to obtain~~  
12 ~~payment or acceptance on behalf of one who has a good title; and~~

13       ~~(b) he has no knowledge that the signature of the maker or drawer~~  
14 ~~is unauthorized, except that this warranty is not given by any customer~~  
15 ~~or collecting bank that is a holder in due course and acts in good~~  
16 ~~faith~~

17       ~~(i) to a maker with respect to the maker's own signature; or~~

18       ~~(ii) to a drawer with respect to the drawer's own signature,~~  
19 ~~whether or not the drawer is also the drawee; or~~

20       ~~(iii) to an acceptor of an item if the holder in due course took~~  
21 ~~the item after the acceptance or obtained the acceptance without~~  
22 ~~knowledge that the drawer's signature was unauthorized; and~~

23       ~~(c) the item has not been materially altered, except that this~~  
24 ~~warranty is not given by any customer or collecting bank that is a~~  
25 ~~holder in due course and acts in good faith~~

26       ~~(i) to the maker of a note; or~~

27       ~~(ii) to the drawer of a draft whether or not the drawer is also the~~  
28 ~~drawee; or~~

1       ~~(iii) to the acceptor of an item with respect to an alteration made~~  
2 ~~prior to the acceptance if the holder in due course took the item after~~  
3 ~~the acceptance, even though the acceptance provided "payable as~~  
4 ~~originally drawn" or equivalent terms; or~~

5       ~~(iv) to the acceptor of an item with respect to an alteration made~~  
6 ~~after the acceptance.~~

7       ~~(2) Each customer and collecting bank who transfers an item and~~  
8 ~~receives a settlement or other consideration for it warrants to his~~  
9 ~~transferee and to any subsequent collecting bank who takes the item in~~  
10 ~~good faith that~~

11       ~~(a) he has a good title to the item or is authorized to obtain~~  
12 ~~payment or acceptance on behalf of one who has a good title and the~~  
13 ~~transfer is otherwise rightful; and~~

14       ~~(b) all signatures are genuine or authorized; and~~

15       ~~(c) the item has not been materially altered; and~~

16       ~~(d) no defense of any party is good against him; and~~

17       ~~(e) he has no knowledge of any insolvency proceeding instituted~~  
18 ~~with respect to the maker or acceptor or the drawer of an unaccepted~~  
19 ~~item.~~

20 ~~In addition each customer and collecting bank so transferring an item~~  
21 ~~and receiving a settlement or other consideration engages that upon~~  
22 ~~dishonor and any necessary notice of dishonor and protest he will take~~  
23 ~~up the item.~~

24       ~~(3) The warranties and the engagement to honor set forth in the two~~  
25 ~~preceding subsections arise notwithstanding the absence of indorsement~~  
26 ~~or words of guaranty or warranty in the transfer or presentment and a~~  
27 ~~collecting bank remains liable for their breach despite remittance to~~  
28 ~~its transferor. Damages for breach of such warranties or engagement to~~  
29 ~~honor shall not exceed the consideration received by the customer or~~

1 collecting bank responsible plus finance charges and expenses related  
2 to the item, if any.

3 ~~(4) Unless a claim for breach of warranty under this section is~~  
4 ~~made within a reasonable time after the person claiming learns of the~~  
5 ~~breach, the person liable is discharged to the extent of any loss~~  
6 ~~caused by the delay in making claim.))~~ A customer or collecting bank  
7 that transfers an item and receives a settlement or other consideration  
8 warrants to the transferee and to any subsequent collecting bank that:

9 (a) The warrantor is a person entitled to enforce the item;

10 (b) All signatures on the item are authentic and authorized;

11 (c) The item has not been altered;

12 (d) The item is not subject to a defense or claim in recoupment  
13 (RCW 62A.3-305(1)) of any party that can be asserted against the  
14 warrantor; and

15 (e) The warrantor has no knowledge of any insolvency proceeding  
16 commenced with respect to the maker or acceptor or, in the case of an  
17 unaccepted draft, the drawer.

18 (2) If an item is dishonored, a customer or collecting bank  
19 transferring the item and receiving settlement or other consideration  
20 is obliged to pay the amount due on the item (a) according to the terms  
21 of the item at the time it was transferred, or (b) if the transfer was  
22 of an incomplete item, according to its terms when completed as stated  
23 in RCW 62A.3-115 and 62A.3-407. The obligation of a transferor is owed  
24 to the transferee and to any subsequent collecting bank that takes the  
25 item in good faith. A transferor cannot disclaim its obligation under  
26 this subsection by an indorsement stating that it is made "without  
27 recourse" or otherwise disclaiming liability.

28 (3) A person to whom the warranties under subsection (1) are made  
29 and who took the item in good faith may recover from the warrantor as  
30 damages for breach of warranty an amount equal to the loss suffered as

1 a result of the breach, but not more than the amount of the item plus  
2 expenses and loss of interest incurred as a result of the breach.

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

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

11 NEW SECTION. Sec. 19. A new section is added to Article 4 of  
12 Title 62A RCW to read as follows:

13 PRESENTMENT WARRANTIES. (1) If an unaccepted draft is presented to  
14 the drawee for payment or acceptance and the drawee pays or accepts the  
15 draft, (a) the person obtaining payment or acceptance, at the time of  
16 presentment, and (b) a previous transferor of the draft, at the time of  
17 transfer, warrant to the drawee that pays or accepts the draft in good  
18 faith that:

19 (i) The warrantor is, or was, at the time the warrantor transferred  
20 the draft, a person entitled to enforce the draft or authorized to  
21 obtain payment or acceptance of the draft on behalf of a person  
22 entitled to enforce the draft;

23 (ii) The draft has not been altered; and

24 (iii) The warrantor has no knowledge that the signature of the  
25 purported drawer of the draft is unauthorized.

26 (2) A drawee making payment may recover from a warrantor damages  
27 for breach of warranty equal to the amount paid by the drawee less the  
28 amount the drawee received or is entitled to receive from the drawer  
29 because of the payment. In addition, the drawee is entitled to

1 compensation for expenses and loss of interest resulting from the  
2 breach. The right of the drawee to recover damages under this  
3 subsection is not affected by any failure of the drawee to exercise  
4 ordinary care in making payment. If the drawee accepts the draft (a)  
5 breach of warranty is a defense to the obligation of the acceptor, and  
6 (b) if the acceptor makes payment with respect to the draft, the  
7 acceptor is entitled to recover from a warrantor for breach of warranty  
8 the amounts stated in this subsection.

9 (3) If a drawee asserts a claim for breach of warranty under  
10 subsection (1) based on an unauthorized indorsement of the draft or an  
11 alteration of the draft, the warrantor may defend by proving that the  
12 indorsement is effective under RCW 62A.3-404 or 62A.3-405 or the drawer  
13 is precluded under RCW 62A.3-406 or 62A.4-406 from asserting against  
14 the drawee the unauthorized indorsement or alteration.

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

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

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

3 NEW SECTION. **Sec. 20.** A new section is added to Article 4 of  
4 Title 62A RCW to read as follows:

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

10 (2) A person who undertakes to retain an item pursuant to an  
11 agreement for electronic presentment warrants to any subsequent  
12 collecting bank and to the payor bank or other payor that retention and  
13 presentment of the item comply with the agreement. If a customer of a  
14 depository bank undertakes to retain an item, that bank also makes this  
15 warranty.

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

21 **Sec. 21.** RCW 62A.4-208 and 1965 ex.s. c 157 s 4-208 are each  
22 amended to read as follows:

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

26 (a) In case of an item deposited in an account, to the extent to  
27 which credit given for the item has been withdrawn or applied;

1 (b) In case of an item for which it has given credit available for  
2 withdrawal as of right, to the extent of the credit given whether or  
3 not the credit is drawn upon (~~((and whether))~~) or (~~((not))~~) there is a  
4 right of charge-back; or

5 (c) If it makes an advance on or against the item.

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

11 (3) Receipt by a collecting bank of a final settlement for an item  
12 is a realization on its security interest in the item, accompanying  
13 documents, and proceeds. (~~((To the extent and))~~) So long as the bank  
14 does not receive final settlement for the item or give up possession of  
15 the item or accompanying documents for purposes other than collection,  
16 the security interest continues to that extent and is subject to (~~((the~~  
17 ~~provisions of))~~) Article 9 (~~((except that))~~), but:

18 (a) No security agreement is necessary to make the security  
19 interest enforceable (subsection (1)(b) of RCW 62A.9-203); (~~((and))~~)

20 (b) No filing is required to perfect the security interest; and

21 (c) The security interest has priority over conflicting perfected  
22 security interests in the item, accompanying documents, or proceeds.

23 **Sec. 22.** RCW 62A.4-209 and 1965 ex.s. c 157 s 4-209 are each  
24 amended to read as follows:

25 WHEN BANK GIVES VALUE FOR PURPOSES OF HOLDER IN DUE COURSE. For  
26 purposes of determining its status as a holder in due course, (~~((the))~~)  
27 bank has given value to the extent (~~((that))~~) it has a security interest  
28 in an item (~~((provided that))~~), if the bank otherwise complies with the

1 requirements of RCW 62A.3-302 on what constitutes a holder in due  
2 course.

3 **Sec. 23.** RCW 62A.4-210 and 1965 ex.s. c 157 s 4-210 are each  
4 amended to read as follows:

5 PRESENTMENT BY NOTICE OF ITEM NOT PAYABLE BY, THROUGH, OR AT A  
6 BANK; LIABILITY OF ~~((SECONDARY PARTIES))~~ DRAWER OR INDORSER. (1)

7 Unless otherwise instructed, a collecting bank may present an item not  
8 payable by, through or at a bank by sending to the party to accept or  
9 pay a written notice that the bank holds the item for acceptance or  
10 payment. The notice must be sent in time to be received on or before  
11 the day when presentment is due and the bank must meet any requirement  
12 of the party to accept or pay under RCW ~~((62A.3-505))~~ 62A.3-501 by the  
13 close of the bank's next banking day after it knows of the requirement.

14 (2) ~~((Where))~~ If presentment is made by notice and ~~((neither honor  
15 nor))~~ payment, acceptance, or request for compliance with a requirement  
16 under RCW ~~((62A.3-505))~~ 62A.3-501 is not received by the close of  
17 business on the day after maturity or, in the case of demand items, by  
18 the close of business on the third banking day after notice was sent,  
19 the presenting bank may treat the item as dishonored and charge any  
20 ~~((secondary party))~~ drawer or indorser by sending ~~((him))~~ it notice of  
21 the facts.

22 **Sec. 24.** RCW 62A.4-211 and 1965 ex.s. c 157 s 4-211 are each  
23 amended to read as follows:

24 ~~((MEDIA OF REMITTANCE; PROVISIONAL))~~ MEDIUM AND ~~((FINAL))~~ TIME OF  
25 SETTLEMENT ~~((IN REMITTANCE CASES))~~ BY BANK. (1) ~~((A collecting bank  
26 may take in settlement of an item~~

27 ~~((a) a check of the remitting bank or of another bank on any bank  
28 except the remitting bank; or~~

1       ~~(b) a cashier's check or similar primary obligation of a remitting~~  
2 ~~bank which is a member of or clears through a member of the same~~  
3 ~~clearing house or group as the collecting bank; or~~

4       ~~(c) appropriate authority to charge an account of the remitting~~  
5 ~~bank or of another bank with the collecting bank; or~~

6       ~~(d) if the item is drawn upon or payable by a person other than a~~  
7 ~~bank, a cashier's check, certified check or other bank check or~~  
8 ~~obligation.~~

9       ~~(2) If before its midnight deadline the collecting bank properly~~  
10 ~~dishonors a remittance check or authorization to charge on itself or~~  
11 ~~presents or forwards for collection a remittance instrument of or on~~  
12 ~~another bank which is of a kind approved by subsection (1) or has not~~  
13 ~~been authorized by it, the collecting bank is not liable to prior~~  
14 ~~parties in the event of the dishonor of such check, instrument or~~  
15 ~~authorization.~~

16       ~~(3) A settlement for an item by means of a remittance instrument or~~  
17 ~~authorization to charge is or becomes a final settlement as to both the~~  
18 ~~person making and the person receiving the settlement~~

19       ~~(a) if the remittance instrument or authorization to charge is of~~  
20 ~~a kind approved by subsection (1) or has not been authorized by the~~  
21 ~~person receiving the settlement and in either case the person receiving~~  
22 ~~the settlement acts seasonably before its midnight deadline in~~  
23 ~~presenting, forwarding for collection or paying the instrument or~~  
24 ~~authorization, at the time the remittance instrument or authorization~~  
25 ~~is finally paid by the payor by which it is payable;~~

26       ~~(b) if the person receiving the settlement has authorized~~  
27 ~~remittance by a non bank check or obligation or by a cashier's check or~~  
28 ~~similar primary obligation of or a check upon the payor or other~~  
29 ~~remitting bank which is not of a kind approved by subsection (1)(b),~~  
30 ~~at the time of the receipt of such remittance check or obligation; or~~

1       ~~(c) if in a case not covered by sub paragraphs (a) or (b) the~~  
2 ~~person receiving the settlement fails to seasonably present, forward~~  
3 ~~for collection, pay or return a remittance instrument or authorization~~  
4 ~~to it to charge before its midnight deadline, at such midnight~~  
5 ~~deadline.))~~ With respect to settlement by a bank, the medium and time  
6 of settlement may be prescribed by Federal Reserve regulations or  
7 circulars, clearing-house rules, and the like, or agreement. In the  
8 absence of such prescription:

9       (a) The medium of settlement is cash or credit to an account in a  
10 Federal Reserve bank of or specified by the person to receive  
11 settlement; and

12       (b) The time of settlement, is:

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

15       (ii) With respect to tender of settlement by credit in an account  
16 in a Federal Reserve bank, when the credit is made;

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

21       (iv) With respect to tender of settlement by a funds transfer, when  
22 payment is made pursuant to RCW 62A.4A.406(1) (section 4A-406(1) of H-  
23 0690/91) to the person receiving settlement.

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

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

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

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

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

11        **Sec. 25.** RCW 62A.4-212 and 1965 ex.s. c 157 s 4-212 are each  
12 amended to read as follows:

13        RIGHT OF CHARGE-BACK OR REFUND; LIABILITY OF COLLECTING BANK;  
14 RETURN OF ITEM. (1) If a collecting bank has made provisional  
15 settlement with its customer for an item and ((itself)) fails by reason  
16 of dishonor, suspension of payments by a bank, or otherwise to receive  
17 a settlement for the item which is or becomes final, the bank may  
18 revoke the settlement given by it, charge back the amount of any credit  
19 given for the item to its customer's account, or obtain refund from its  
20 customer, whether or not it is able to return the items, if by its  
21 midnight deadline or within a longer reasonable time after it learns  
22 the facts it returns the item or sends notification of the facts. If  
23 the return or notice is delayed beyond the bank's midnight deadline or  
24 a longer reasonable time after it learns the facts, the bank may revoke  
25 the settlement, charge back the credit, or obtain refund from its  
26 customer, but it is liable for any loss resulting from the delay.  
27 These rights to revoke, charge-back, and obtain refund terminate if and  
28 when a settlement for the item received by the bank is or becomes final

1 (~~(subsection (3) of RCW 62A.4-211 and subsections (2) and (3) of RCW~~  
2 ~~62A.4-213))~~).

3 (2) (~~(Within the time and manner prescribed by this section and RCW~~  
4 ~~62A.4-301, an intermediary or payor bank, as the case may be, may~~  
5 ~~return an unpaid item directly to the depositary bank and may send for~~  
6 ~~collection a draft on the depositary bank and obtain reimbursement. In~~  
7 ~~such case, if the depositary bank has received provisional settlement~~  
8 ~~for the item, it must reimburse the bank drawing the draft and any~~  
9 ~~provisional credits for the item between banks shall become and remain~~  
10 ~~final.)) A collecting bank returns an item when it is sent or delivered  
11 to the bank's customer or transferor or pursuant to its instructions.~~

12 (3) A depositary bank (~~(which))~~ that is also the payor may charge-  
13 back the amount of an item to its customer's account or obtain refund  
14 in accordance with the section governing return of an item received by  
15 a payor bank for credit on its books (RCW 62A.4-301).

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

17 (a) (~~(prior))~~ Previous use of (~~(the))~~ a credit given for the item;  
18 or

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

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

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

1       **Sec. 26.** RCW 62A.4-213 and 1965 ex.s. c 157 s 4-213 are each  
2 amended to read as follows:

3       FINAL PAYMENT OF ITEM BY PAYOR BANK; WHEN PROVISIONAL DEBITS AND  
4 CREDITS BECOME FINAL; WHEN CERTAIN CREDITS BECOME AVAILABLE FOR  
5 WITHDRAWAL. (1) An item is finally paid by a payor bank when the bank  
6 has first done any of the following(~~((, whichever happens first))~~):

7       (a) Paid the item in cash; (~~(or)~~)

8       (b) Settled for the item without (~~(reserving)~~) having a right to  
9 revoke the settlement (~~(and without having such right)~~) under statute,  
10 clearing-house rule, or agreement; or

11       (c) (~~completed the process of posting the item to the indicated~~  
12 ~~account of the drawer, maker or other person to be charged therewith;~~  
13 ~~or~~

14 ~~(d))~~ Made a provisional settlement for the item and failed to  
15 revoke the settlement in the time and manner permitted by statute,  
16 clearing-house rule, or agreement.

17 (~~Upon a final payment under subparagraphs (b), (c) or (d) the payor~~  
18 ~~bank shall be accountable for the amount of the item.))~~

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

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

28       (~~(3))~~ (4) If a collecting bank receives a settlement for an item  
29 which is or becomes final (~~(subsection (3) of RCW 62A.4-211,~~  
30 ~~subsection (2) of RCW 62A.4-213))~~), the bank is accountable to its

1 customer for the amount of the item and any provisional credit given  
2 for the item in an account with its customer becomes final.

3 ~~((4))~~ (5) Subject to (a) applicable law stating a time for  
4 availability of funds and (b) any right of the bank to apply the credit  
5 to an obligation of the customer, credit given by a bank for an item in  
6 ~~((an account with its customer))~~ a customer's account becomes available  
7 for withdrawal as of right:

8 ~~((a) in any case where)~~ (i) If the bank has received a  
9 provisional settlement for the item, ~~((—))~~ when ~~((such))~~ the settlement  
10 becomes final and the bank has had a reasonable time to ~~((learn that~~  
11 ~~the settlement is final))~~ receive return of the item and the item has  
12 not been received within that time;

13 ~~((b) in any case where)~~ (ii) If the bank is both ~~((a))~~ the  
14 depository bank and ((a)) the payor bank, and the item is finally  
15 paid, --at the opening of the bank's second banking day following  
16 receipt of the item.

17 ~~((5) A deposit of money in a bank is final when made but,)~~ (6)  
18 Subject to applicable law stating a time for availability of funds and  
19 any right of ((the)) a bank to apply ((the)) a deposit to an obligation  
20 of the ((customer)) depositor, ((the)) a deposit of money becomes  
21 available for withdrawal as of right at the opening of the bank's next  
22 banking day ~~((following))~~ after receipt of the deposit.

23 **Sec. 27.** RCW 62A.4-214 and 1965 ex.s. c 157 s 4-214 are each  
24 amended to read as follows:

25 **INSOLVENCY AND PREFERENCE.** (1) ~~((Any))~~ If an item is in or  
26 ~~((coming))~~ comes into the possession of a payor or collecting bank  
27 ~~((which))~~ that suspends payment and ~~((which))~~ the item ~~((is))~~ has not  
28 been finally paid ((shall)), the item must be returned by the receiver,

1 trustee, or agent in charge of the closed bank to the presenting bank  
2 or the closed bank's customer.

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

7 (3) If a payor bank gives or a collecting bank gives or receives a  
8 provisional settlement for an item and thereafter suspends payments,  
9 the suspension does not prevent or interfere with the settlement's  
10 becoming final if ((such)) the finality occurs automatically upon the  
11 lapse of certain time or the happening of certain events ((~~subsection~~  
12 ~~(3) of RCW 62A.4-211, subsections (1)(d), (2) and (3) of RCW 62A.4-~~  
13 ~~213~~)).

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

19 **Sec. 28.** RCW 62A.4-301 and 1965 ex.s. c 157 s 4-301 are each  
20 amended to read as follows:

21 DEFERRED POSTING; RECOVERY OF PAYMENT BY RETURN OF ITEMS; TIME OF  
22 DISHONOR; RETURN OF ITEMS BY PAYOR BANK. (1) ((~~Where an authorized~~  
23 ~~settlement~~)) If a payor bank settles for a demand item (other than a  
24 documentary draft) ((~~received by a payor bank~~)) presented otherwise  
25 than for immediate payment over the counter ((~~has been made~~)) before  
26 midnight of the banking day of receipt, the payor bank may revoke the  
27 settlement and recover ((~~any payment~~)) the settlement if, before it has  
28 made final payment ((~~subsection (1) of RCW 62A.4-213~~)) and before its  
29 midnight deadline, it:

1 (a) Returns the item; or

2 (b) Sends written notice of dishonor or nonpayment if the item is  
3 (~~held for protest or is otherwise~~) unavailable for return.

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

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

12 (4) An item is returned:

13 (a) As to an item (~~received~~) presented through a clearing house,  
14 when it is delivered to the presenting or last collecting bank or to  
15 the clearing house or is sent or delivered in accordance with (~~its~~)  
16 clearing-house rules; or

17 (b) In all other cases, when it is sent or delivered to the bank's  
18 customer or transferor or pursuant to (~~his~~) instructions.

19 **Sec. 29.** RCW 62A.4-302 and 1965 ex.s. c 157 s 4-302 are each  
20 amended to read as follows:

21 PAYOR BANK'S RESPONSIBILITY FOR LATE RETURN OF ITEM. (~~In the~~  
22 ~~absence of a valid defense such as breach of a presentment warranty~~  
23 ~~{subsection (1) of RCW 62A.4-207}, settlement effected or the like,)~~

24 (1) If an item is presented (~~on~~) to and received by a payor bank, the  
25 bank is accountable for the amount of:

26 (a) A demand item, other than a documentary draft, whether properly  
27 payable or not, if the bank, in any case (~~where~~) in which it is not  
28 also the depository bank, retains the item beyond midnight of the  
29 banking day of receipt without settling for it or, (~~regardless of~~)

1 whether or not it is also the depository bank, does not pay or return  
2 the item or send notice of dishonor until after its midnight deadline;  
3 or

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

7 (2) The liability of a payor bank to pay an item pursuant to  
8 subsection (1) is subject to defenses based on breach of a presentment  
9 warranty (RCW 62A.4-208) or proof that the person seeking enforcement  
10 of the liability presented or transferred the item for the purpose of  
11 defrauding the payor bank.

12 **Sec. 30.** RCW 62A.4-303 and 1965 ex.s. c 157 s 4-303 are each  
13 amended to read as follows:

14 WHEN ITEMS SUBJECT TO NOTICE, (~~STOP-ORDER~~) STOP-PAYMENT ORDER,  
15 LEGAL PROCESS, OR SETOFF; ORDER IN WHICH ITEMS MAY BE CHARGED OR  
16 CERTIFIED. (1) Any knowledge, notice, or (~~stop-order~~) stop-payment  
17 order received by, legal process served upon, or setoff exercised by a  
18 payor bank(~~(, whether or not effective under other rules of law))~~ comes  
19 too late to terminate, suspend, or modify the bank's right or duty to  
20 pay an item or to charge its customer's account for the item(~~(, comes~~  
21 ~~too late to so terminate, suspend or modify such right or duty))~~ if the  
22 knowledge, notice, stop-payment order, or legal process is received or  
23 served and a reasonable time for the bank to act thereon expires or the  
24 setoff is exercised after the (~~bank has done any~~) earliest of the  
25 following:

26 (a) (~~accepted or certified~~) The bank accepts or certifies the  
27 item;

28 (b) (~~paid~~) The bank pays the item in cash;

1       (c) ~~((settled))~~ The bank settles for the item without ~~((reserving))~~  
2 having a right to revoke the settlement ~~((and without having such~~  
3 ~~right))~~ under statute, clearing-house rule, or agreement;

4       (d) ~~((completed the process of posting the item to the indicated~~  
5 ~~account of the drawer, maker or other person to be charged therewith or~~  
6 ~~otherwise has evidenced by examination of such indicated account and by~~  
7 ~~action its decision to pay the item; or~~

8       ~~(e))~~ The bank becomes accountable for the amount of the item under  
9 ~~((subsection (1)(d) of RCW 62A.4-213 and))~~ RCW 62A.4-302 dealing with  
10 the payor bank's responsibility for late return of items~~((-))~~; or

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

16       (2) Subject to ~~((the provisions of))~~ subsection (1) items may be  
17 accepted, paid, certified, or charged to the indicated account of its  
18 customer in any order ~~((convenient to the bank)).~~

19       **Sec. 31.** RCW 62A.4-401 and 1965 ex.s. c 157 s 4-401 are each  
20 amended to read as follows:

21       WHEN BANK MAY CHARGE CUSTOMER'S ACCOUNT. (1) ~~((As against its~~  
22 ~~customer,))~~ A bank may charge against ~~((his))~~ the account ~~((any))~~ of a  
23 customer an item ~~((which))~~ that is ~~((otherwise))~~ properly payable from  
24 that account even though the charge creates an overdraft. An item is  
25 properly payable if it is authorized by the customer and is in  
26 accordance with any agreement between the customer and bank.

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

1       (3) A bank may charge against the account of a customer a check  
2 that is otherwise properly payable from the account, even though  
3 payment was made before the date of the check, unless the customer has  
4 given notice to the bank of the postdating describing the check with  
5 reasonable certainty. The notice is effective for the period stated in  
6 RCW 62A.4-403(2) for stop-payment orders, and must be received at such  
7 time and in such manner as to afford the bank a reasonable opportunity  
8 to act on it before the bank takes any action with respect to the check  
9 described in RCW 62A.4-303. If a bank charges against the account of  
10 a customer a check before the date stated in the notice of postdating,  
11 the bank is liable for damages for the loss resulting from its act.  
12 The loss may include damages for dishonor of subsequent items under RCW  
13 62A.4-402.

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

16       (a) The original ((tenor)) terms of ((his)) the altered item; or

17       (b) The ((tenor)) terms of ((his)) the completed item, even though  
18 the bank knows the item has been completed unless the bank has notice  
19 that the completion was improper.

20       **Sec. 32.** RCW 62A.4-402 and 1965 ex.s. c 157 s 4-402 are each  
21 amended to read as follows:

22       BANK'S LIABILITY TO CUSTOMER FOR WRONGFUL DISHONOR; TIME OF  
23 DETERMINING INSUFFICIENCY OF ACCOUNT. (1) Except as otherwise provided  
24 in this Article, a payor bank wrongfully dishonors an item if it  
25 dishonors an item that is properly payable, but a bank may dishonor an  
26 item that would create an overdraft unless it has agreed to pay the  
27 overdraft.

28       (2) A payor bank is liable to its customer for damages proximately  
29 caused by the wrongful dishonor of an item. ((When the dishonor occurs

1 ~~through mistake~~) Liability is limited to actual damages proved(~~(. If~~  
2 ~~so proximately caused~~) and (~~proved damages~~) may include damages for  
3 an arrest or prosecution of the customer or other consequential  
4 damages. Whether any consequential damages are proximately caused by  
5 the wrongful dishonor is a question of fact to be determined in each  
6 case.

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

17 **Sec. 33.** RCW 62A.4-403 and 1965 ex.s. c 157 s 4-403 are each  
18 amended to read as follows:

19 CUSTOMER'S RIGHT TO STOP PAYMENT; BURDEN OF PROOF OF LOSS. (1) A  
20 customer or any other person authorized to draw on the account if there  
21 is more than one person may (~~by order to his bank~~) stop payment of  
22 any item (~~payable for his~~) drawn on the customer's account (~~but~~) or  
23 close the account by an order (~~must be~~) to the bank describing the  
24 item or account with reasonable certainty received at (~~such~~) a time  
25 and in (~~such~~) a manner (~~as to~~) that affords the bank a reasonable  
26 opportunity to act on it (~~prior to~~) before any action by the bank  
27 with respect to the item described in RCW 62A.4-303. If the signature  
28 of more than one person is required to draw on an account, any of these  
29 persons may stop payment or close the account.

1       ~~((An oral order is binding upon the bank only for fourteen~~  
2 ~~calendar days unless confirmed in writing within that period. A~~  
3 ~~written order is effective for only six months unless renewed in~~  
4 ~~writing))~~ A stop-payment order is effective for six months, but it  
5 lapses after fourteen calendar days if the original order was oral and  
6 was not confirmed in writing within that period. A stop-payment order  
7 may be renewed for additional six-month periods by a writing given to  
8 the bank within a period during which the stop-payment order is  
9 effective.

10       (3) The burden of establishing the fact and amount of loss  
11 resulting from the payment of an item contrary to a binding stop-  
12 payment order or order to close the account is on the customer. The  
13 loss from payment of an item contrary to a stop-payment order may  
14 include damages for dishonor of subsequent items under RCW 62A.4-402.

15       **Sec. 34.** RCW 62A.4-405 and 1965 ex.s. c 157 s 4-405 are each  
16 amended to read as follows:

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

27       (2) Even with knowledge, a bank may for ten days after the date of  
28 death pay or certify checks drawn on or ~~((prior to))~~ before that date

1 unless ordered to stop payment by a person claiming an interest in the  
2 account.

3 **Sec. 35.** RCW 62A.4-406 and 1967 c 114 s 1 are each amended to read  
4 as follows:

5 CUSTOMER'S DUTY TO DISCOVER AND REPORT UNAUTHORIZED SIGNATURE OR  
6 ALTERATION. (1) ~~((When a bank sends to its customer a statement of  
7 account accompanied by items paid in good faith in support of the debit  
8 entries or holds the statement and items pursuant to a request or  
9 instructions of its customer or otherwise in a reasonable manner makes  
10 the statement and items available to the customer, the customer must  
11 exercise reasonable care and promptness to examine the statement and  
12 items to discover his unauthorized signature or any alteration on an  
13 item and must notify the bank promptly after discovery thereof.))~~ A  
14 bank that sends or makes available to a customer a statement of account  
15 showing payment of items for the account shall either return or make  
16 available to the customer the items paid or provide information in the  
17 statement of account sufficient to allow the customer reasonably to  
18 identify the items paid. The statement of account provides sufficient  
19 information if the item is described by item number, amount, and date  
20 of payment.

21 (2) If the items are not returned to the customer, the person  
22 retaining the items shall either retain the items or, if the items are  
23 destroyed, maintain the capacity to furnish legible copies of the items  
24 until the expiration of seven years after receipt of the items. A  
25 customer may request an item from the bank that paid the item, and that  
26 bank must provide in a reasonable time either the item or, if the item  
27 has been destroyed or is not otherwise obtainable, a legible copy of  
28 the item.

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

9 ~~((+2))~~ (4) If the bank ~~((establishes))~~ proves that the customer  
10 failed, with respect to an item, to comply with the duties imposed on  
11 the customer by subsection ~~((+1))~~ (3), the customer is precluded from  
12 asserting against the bank:

13 (a) ~~((his))~~ The customer's unauthorized signature or any alteration  
14 on the item, if the bank also ~~((establishes))~~ proves that it suffered  
15 a loss by reason of ~~((such))~~ the failure; and

16 (b) ~~((an))~~ The customer's unauthorized signature or alteration by  
17 the same wrong-doer on any other item paid in good faith by the bank  
18 ~~((after the first item and statement was available to the customer for~~  
19 ~~a reasonable period and before the bank receives notification from the~~  
20 ~~customer of any such unauthorized signature or alteration))~~ if the  
21 payment was made before the bank received notice from the customer of  
22 the unauthorized signature or alteration and after the customer had  
23 been afforded a reasonable period of time, not exceeding thirty days,  
24 in which to examine the item or statement of account and notify the  
25 bank.

26 ~~((3) The preclusion under subsection (2) does not apply if the~~  
27 ~~customer establishes lack of ordinary care on the part of the bank in~~  
28 ~~paying the item(s).~~

29 ~~(4))~~ (5) If subsection (4) applies and the customer proves that  
30 the bank failed to exercise ordinary care in paying the item and that

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

8 (6) Without regard to care or lack of care of either the customer  
9 or the bank, a customer who does not within sixty days ~~((from the~~  
10 ~~time))~~ after the statement ~~((and))~~ or items are made available to the  
11 customer (subsection (1)) discover and report ~~((his))~~ the customer's  
12 unauthorized signature on or any alteration ~~((on the face or back of~~  
13 ~~the item or does not within three years from that time discover and~~  
14 ~~report any unauthorized indorsement))~~ on the item is precluded from  
15 asserting against the bank ~~((such))~~ the unauthorized signature or  
16 ~~((indorsement or such))~~ alteration.

17 ~~((5) If under this section a payor bank has a valid defense~~  
18 ~~against a claim of a customer upon or resulting from payment of an item~~  
19 ~~and waives or fails upon request to assert the defense the bank may not~~  
20 ~~assert against any collecting bank or other prior party presenting or~~  
21 ~~transferring the item a claim based upon the unauthorized signature or~~  
22 ~~alteration giving rise to the customer's claim.))~~ If there is a  
23 preclusion under this subsection, the payor bank may not recover for  
24 breach of warranty under RCW 62A.4-208 with respect to the unauthorized  
25 signature or alteration to which the preclusion applies.

26 **Sec. 36.** RCW 62A.4-407 and 1965 ex.s. c 157 s 4-407 are each  
27 amended to read as follows:

28 PAYOR BANK'S RIGHT TO SUBROGATION ON IMPROPER PAYMENT. If a payor  
29 bank has paid an item over the ~~((stop payment))~~ order of the drawer or

1 maker to stop payment, or after an account has been closed, or  
2 otherwise under circumstances giving a basis for objection by the  
3 drawer or maker, to prevent unjust enrichment and only to the extent  
4 necessary to prevent loss to the bank by reason of its payment of the  
5 item, the payor bank (~~shall be~~) is subrogated to the rights:

6 (a) Of any holder in due course on the item against the drawer or  
7 maker; (~~and~~)

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

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

13 **Sec. 37.** RCW 62A.4-501 and 1965 ex.s. c 157 s 4-501 are each  
14 amended to read as follows:

15 HANDLING OF DOCUMENTARY DRAFTS; DUTY TO SEND FOR PRESENTMENT AND TO  
16 NOTIFY CUSTOMER OF DISHONOR. A bank (~~which~~) that takes a documentary  
17 draft for collection (~~must~~) shall present or send the draft and  
18 accompanying documents for presentment and, upon learning that the  
19 draft has not been paid or accepted in due course (~~must~~), shall  
20 seasonably notify its customer of (~~such~~) the fact even though it may  
21 have discounted or bought the draft or extended credit available for  
22 withdrawal as of right.

23 **Sec. 38.** RCW 62A.4-502 and 1965 ex.s. c 157 s 4-502 are each  
24 amended to read as follows:

25 PRESENTMENT OF "ON ARRIVAL" DRAFTS. (~~When~~) If a draft or the  
26 relevant instructions require presentment "on arrival", "when goods  
27 arrive" or the like, the collecting bank need not present until in its  
28 judgment a reasonable time for arrival of the goods has expired.

1 Refusal to pay or accept because the goods have not arrived is not  
2 dishonor; the bank must notify its transferor of (~~such~~) the refusal  
3 but need not present the draft again until it is instructed to do so or  
4 learns of the arrival of the goods.

5 **Sec. 39.** RCW 62A.4-503 and 1965 ex.s. c 157 s 4-503 are each  
6 amended to read as follows:

7 RESPONSIBILITY OF PRESENTING BANK FOR DOCUMENTS AND GOODS; REPORT  
8 OF REASONS FOR DISHONOR; REFEREE IN CASE OF NEED. Unless otherwise  
9 instructed and except as provided in Article 5, a bank presenting a  
10 documentary draft:

11 (a) Must deliver the documents to the drawee on acceptance of the  
12 draft if it is payable more than three days after presentment;  
13 otherwise, only on payment; and

14 (b) Upon dishonor, either in the case of presentment for acceptance  
15 or presentment for payment, may seek and follow instructions from any  
16 referee in case of need designated in the draft or, if the presenting  
17 bank does not choose to utilize (~~his~~) the referee's services, it must  
18 use diligence and good faith to ascertain the reason for dishonor, must  
19 notify its transferor of the dishonor and of the results of its effort  
20 to ascertain the reasons therefor, and must request instructions.  
21 (~~But~~) However, the presenting bank is under no obligation with  
22 respect to goods represented by the documents except to follow any  
23 reasonable instructions seasonably received; it has a right to  
24 reimbursement for any expense incurred in following instructions and to  
25 prepayment of or indemnity for (~~such~~) those expenses.

26 **Sec. 40.** RCW 62A.4-504 and 1965 ex.s. c 157 s 4-504 are each  
27 amended to read as follows:

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

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

9 NEW SECTION. Sec. 41. (1) RCW 62A.4-106, 62A.4-107, 62A.4-108,  
10 62A.4-208, 62A.4-209, 62A.4-210, 62A.4-211, 62A.4-212, 62A.4-213, and  
11 62A.4-214, as amended by this act, may be recodified as necessary by  
12 the code reviser to preserve the arrangement of the uniform commercial  
13 code of the national conference of commissioners on uniform state laws.

14 (2) The code reviser shall correct all references in the Revised  
15 Code of Washington to the sections of the code that may be recodified  
16 by this section.

17 NEW SECTION. Sec. 42. RCW 62A.4-109 and 1965 ex.s. c 157 s 4-109  
18 are each repealed.