
Judiciary Committee

HB 1115

Title: An act relating to the Uniform Commercial code.

Brief Description: Concerning the Uniform Commercial code.

Sponsors: Representatives Pedersen and Rodne; by request of Uniform Laws Commission.

Brief Summary of Bill

- Amends Article 4A of the Uniform Commercial Code to address the relationship between Article 4A and the federal Electronic Fund Transfer Act with respect to remittance transfers, and to correct drafting errors and inconsistencies with the uniform act.

Hearing Date: 1/23/13

Staff: Edie Adams (786-7180).

Background:

Article 4A of the Uniform Commercial Code (UCC) governs funds transfers. Article 4A establishes the rights and responsibilities of the parties to a funds transfer, including payment obligations among the parties and allocation of risk of loss for unauthorized or improperly executed payment orders. Article 4A was drafted principally to govern funds transfer involving commercial entities.

The federal Electronic Fund Transfer Act (EFTA) provides consumer protections to consumers engaging in electronic funds transfers. The EFTA was amended in 2010 by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to apply the EFTA to "remittance transfers." Remittance transfers were broadly defined to include transactions that traditionally had not been governed by the EFTA, such as consumer wire transfers. Under the Dodd-Frank Act amendments and implementing regulations (Regulation E), a "remittance transfer" is an electronic transfer of funds requested by a consumer in the United States to a recipient in a

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foreign country that is made by any person or financial institution that provides consumer remittance transfers in the normal course of business.

The amendments to EFTA specifically provide that the EFTA governs a remittance transfer, even if the remittance transfer is not an electronic fund transfer under the EFTA. UCC Article 4A-108 provides that Article 4A does not apply to a funds transfer, any part of which is governed by the EFTA. Under the Dodd-Frank Act amendments, remittance transfers that were formerly covered by the provisions of Article 4A, such as consumer international wire transfers, will no longer be subject to Article 4A due to the operation of 4A-108. Some aspects of these transfers also will not be governed by the EFTA because they are not electronic fund transfers under that act.

The American Law Institute and the Uniform Law Commission recently approved revisions to Article 4A and to ensure that Article 4A will apply to a funds transfer that is a remittance transfer, so long as the transfer doesn't also meet the definition of "electronic fund transfer" under EFTA.

Summary of Bill:

Article 4A applies to a funds transfer that is a remittance transfer under the EFTA unless the remittance transfer is an electronic fund transfer under the EFTA. The EFTA controls in the case of an inconsistency between an applicable provision of Article 4A and the EFTA.

Various technical corrections are made to Article 4A to correct drafting errors and inconsistencies with the uniform act created when Article 4A was originally enacted. Provisions of Article 4A are renumbered to be consistent with the numbering system used in the uniform act.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.