

CHAPTER 1117

UNIFORM COMMERCIAL CODE — CONTROLLABLE ELECTRONIC RECORDS

H.F. 2445

AN ACT relating to the uniform commercial code by providing for controllable electronic records.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I CONTROLLABLE ELECTRONIC RECORDS

Section 1. NEW SECTION. 554.14101 Short title.

[This Article](#) may be cited as the Uniform Commercial Code — Controllable Electronic Records.

Sec. 2. NEW SECTION. 554.14102 Definitions.

1. [Article 14](#) definitions. In [this Article](#):

a. “*Controllable electronic record*” means a record stored in an electronic medium that can be subjected to control under [section 554.14105](#). The term does not include a deposit account, electronic chattel paper, electronic copy of a record evidencing chattel paper, electronic document of title, electronic money, investment property, or a transferable record.

b. “*Qualifying purchaser*” means a purchaser of a controllable electronic record or an interest in the controllable electronic record that obtains control of the controllable electronic record for value, in good faith, and without notice of a claim of a property right in the controllable electronic record.

c. “*Transferable record*” means:

(1) “*Transferable record*”, as defined in the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. §7021(a)(1), as amended.

(2) “*Transferable record*” as defined in the uniform electronic transactions Act, [section 554D.118, subsection 1](#).

d. “*Value*” has the meaning provided in [section 554.3303, subsection 1](#).

2. Definitions in [Article 9](#). The definitions in [Article 9](#) of “*account debtor*”, “*authenticate*”, “*controllable account*”, “*controllable payment intangible*”, “*chattel paper*”, “*deposit account*”, “*electronic chattel paper*”, “*electronic money*”, and “*investment property*” apply to [this Article](#).

Sec. 3. NEW SECTION. 554.14103 Scope.

1. [Article 9](#) governs in case of conflict. If there is conflict between [this Article](#) and [Article 9](#), [Article 9](#) governs.

2. *Applicable consumer law and other laws*. A transaction subject to [this Article](#) is subject to:

a. any applicable rule of law that establishes a different rule for consumers, including as provided in [chapter 537](#) and any other consumer protection statute or regulation of this state; and

b. any other statute or regulation of this state that regulates the rates, charges, agreements, and practices for loans, credit sales, or other extensions of credit or credit transactions, including as provided in [chapter 535](#).

Sec. 4. NEW SECTION. 554.14104 Rights in controllable account, controllable electronic record, and controllable payment intangible.

1. *Applicability of section to controllable account and controllable payment intangible*. [This section](#) applies to the acquisition and purchase of rights in a controllable account or controllable payment intangible, including the rights of a purchaser and a qualifying purchaser and under [subsections 3, 4, and 6](#), and in the same manner [this section](#) applies to a controllable electronic record.

2. *Applicability of other law to acquisition of rights*. Except as provided in [this section](#), law other than [this Article](#) determines whether a person acquires a right in a controllable electronic record and the right the person acquires.

3. *Shelter principle and purchase of limited interest.* A purchaser of a controllable electronic record acquires all rights in the controllable electronic record that the transferor had or had power to transfer, except that a purchaser of a limited interest in a controllable electronic record acquires rights only to the extent of the interest purchased.

4. *Rights of qualifying purchaser.* A qualifying purchaser acquires its rights in the controllable electronic record free of a claim of a property right in the controllable electronic record.

5. *Limitation of rights of qualifying purchaser in other property.* Except as provided in [subsections 1 and 4](#) for controllable accounts and controllable payment intangibles or law other than [this Article](#), a qualifying purchaser takes a right to payment, right to performance, or interest in property evidenced by the controllable electronic record subject to a claim of a property right in the right to payment, right to performance, or other interest in property.

6. *No-action protection for qualifying purchaser.* An action shall not be asserted against a qualifying purchaser based on both a purchase by the qualifying purchaser of a controllable electronic record and a claim of a property right in another controllable electronic record, whether framed in conversion, replevin, constructive trust, equitable lien, or other theory.

7. *Filing notice.* Filing of a financing statement under [Article 9](#) is not notice of a claim of a property right in a controllable electronic record.

Sec. 5. NEW SECTION. 554.14105 Control of controllable electronic record.

1. *General rule — control of controllable electronic record.* A person has control of a controllable electronic record if:

a. the electronic record, a record attached to or logically associated with the electronic record, or a system in which the electronic record is recorded gives the person:

- (1) the power to avail itself of substantially all the benefit from the electronic record; and
- (2) exclusive power, subject to [subsection 2](#), to:

(a) prevent others from availing themselves of substantially all the benefit from the electronic record; and

(b) transfer control of the electronic record to another person or cause another person to obtain control of another controllable electronic record as a result of the transfer of the electronic record; and

b. the electronic record, a record attached to or logically associated with the electronic record, or a system in which the electronic record is recorded enables the person readily to identify itself in any way, including by name, identifying number, cryptographic key, office, or account number, as having the powers specified in paragraph “a”.

2. *Control through another person.* A person has control of a controllable electronic record if another person, other than the transferor of an interest in the electronic record:

a. has control of the electronic record and acknowledges that it has control on behalf of the person, or

b. obtains control of the electronic record after having acknowledged that it will obtain control of the electronic record on behalf of the person.

3. *Meaning of exclusive.* A power specified in [subsection 1](#), paragraph “a”, subparagraph (2), is exclusive, even if:

a. the controllable electronic record or a system in which the electronic record is recorded limits the use of the electronic record or has a protocol programmed to cause a change, including a transfer or loss of control or a modification of benefits afforded by the electronic record; or

b. the person has agreed to share the power with another person.

Sec. 6. NEW SECTION. 554.14106 Discharge of account debtor on controllable account or controllable payment intangible.

1. *Discharge of account debtor.* An account debtor on a controllable account or controllable payment intangible may discharge its obligation by paying:

a. the person having control of the controllable electronic record that evidences the controllable account or controllable payment intangible; or

b. except as provided in [subsection 2](#), a person that formerly had control of the controllable electronic record.

2. *Effect of notification.* Subject to [subsection 4](#), an account debtor shall not discharge its obligation by paying a person that formerly had control of the controllable electronic record if the account debtor receives a notification that:

- a. is authenticated by a person that formerly had control or the person to which control was transferred;
- b. reasonably identifies the controllable account or controllable payment intangible;
- c. notifies the account debtor that control of the controllable electronic record that evidences the controllable account or controllable payment intangible was transferred;
- d. identifies the transferee, in any reasonable way, including by name, identifying number, cryptographic key, office, or account number; and
- e. provides a commercially reasonable method by which the account debtor is to pay the transferee.

3. *Discharge following effective notification.* After receipt of a notification that complies with [subsection 2](#), the account debtor may discharge its obligation only by paying in accordance with the notification and shall not discharge the obligation by paying a person that formerly had control.

4. *When notification ineffective.* Notification is ineffective under [subsection 2](#):

a. unless, before the notification is sent, an account debtor and the person that, at that time, had control of the controllable electronic record that evidences the controllable account or controllable payment intangible agree in an authenticated record to a commercially reasonable method by which a person must furnish reasonable proof that control has been transferred;

b. to the extent an agreement between an account debtor and seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than [this Article](#); or

c. at the option of an account debtor, if the notification notifies the account debtor to:

- (1) divide a payment;
- (2) make less than the full amount of any installment or other periodic payment; or
- (3) pay any part of a payment by more than one method or to more than one person.

5. *Proof of transfer of control.* If requested by the account debtor, the person giving the notification seasonably shall furnish reasonable proof, using the agreed method, that control of the controllable electronic record has been transferred. Unless the person complies with the request, the account debtor may discharge its obligation by paying a person that formerly had control, even if the account debtor has received a notification under [subsection 2](#).

6. *What constitutes reasonable proof.* A person furnishes reasonable proof that control has been transferred if the person demonstrates, using the agreed method, that the transferee has the power to:

- a. avail itself of substantially all the benefit from the controllable electronic record;
- b. prevent others from availing themselves of substantially all the benefit from the controllable electronic record; and
- c. transfer the powers mentioned in paragraphs "a" and "b" to another person.

7. *Rights not waivable.* An account debtor shall not waive or vary its rights under [subsection 4](#), paragraph "a", and [subsection 5](#) or its option under [subsection 4](#), paragraph "c".

Sec. 7. NEW SECTION. 554.14107 Governing law.

Unless otherwise agreed to by the parties, the laws of this state shall govern any actions taken pursuant to [this Article](#). [This Article](#) and the local law of this state shall apply to any transaction involving a controllable account, controllable electronic record, or controllable payment intangible if under [section 554.9306A](#), the local law of this state governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in such controllable account, controllable electronic record, or controllable payment intangible.

Sec. 8. NEW SECTION. 554.14108 Applicability.

[This Article](#) applies to any transaction involving a controllable electronic record that arises on or after the effective date of [this Article](#). [This Article](#) does not apply to any transaction involving a controllable electronic record that arises before the effective date of [this Article](#)

even if the transaction would be subject to [this Article](#) if the transaction had arisen on or after the effective date of [this Article](#). [This Article](#) does not apply to a right of action with regard to any transaction involving a controllable electronic record that has accrued before the effective date of [this Article](#).

Sec. 9. NEW SECTION. 554.14109 Savings clause.

Any transaction involving a controllable electronic record that arose before the effective date of [this Article](#) and the rights, obligations, and interests flowing from that transaction are governed by any statute or other rule amended or repealed by [this Article](#) as if such amendment or repeal had not occurred and may be terminated, completed, consummated, or enforced under that statute or other rule.

DIVISION II
CORRESPONDING CHANGES

PART A
GENERAL PROVISIONS

Sec. 10. [Section 554.1201, subsection 2](#), Code 2022, is amended by adding the following new paragraph:

NEW PARAGRAPH. 0q. “Electronic” means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

Sec. 11. [Section 554.1201, subsection 2](#), paragraph x, Code 2022, is amended to read as follows:

x. “Money” means a medium of exchange that:

(1) is currently authorized or adopted by a domestic or foreign government, by an intergovernmental organization, or pursuant to an agreement between two or more governments; and

(2) was initially issued, created, or distributed by a domestic or foreign government, by an intergovernmental organization, or pursuant to an agreement between two or more governments. The term includes a monetary unit of account established by an intergovernmental organization or by agreement between two or more countries.

Sec. 12. [Section 554.1204](#), unnumbered paragraph 1, Code 2022, is amended to read as follows:

Except as otherwise provided in [Articles 3, 4, and 5](#), and [14](#), a person gives value for rights if the person acquires them:

PART B
SECURED TRANSACTIONS

Sec. 13. [Section 554.9102, subsection 1](#), paragraphs b and bi, Code 2022, are amended to read as follows:

b. “Account”, except as used in “*account for*”, “*on account of*”, and paragraph “ac”, means a right to payment of a monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of; (ii) for services rendered or to be rendered; (iii) for a policy of insurance issued or to be issued; (iv) for a secondary obligation incurred or to be incurred; (v) for energy provided or to be provided; (vi) for the use or hire of a vessel under a charter or other contract; (vii) arising out of the use of a credit or charge card or information contained on or for use with the card; or (viii) as winnings in a lottery or other game of chance operated or sponsored by a state, governmental unit of a state, or person licensed or authorized to operate the game by a state or governmental unit of a state. The term includes controllable accounts and health care insurance receivables. The term does not include rights to payment evidenced by chattel paper or an instrument, (i) chattel paper, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters of credit, or (vi) rights to payment for money or funds advanced or sold, other than rights arising out of the use of a credit or

charge card or information contained on or for use with the card, or (vii) rights to payment evidenced by an instrument.

bi. "Payment intangible" means a general intangible under which the account debtor's principal obligation is a monetary obligation. The term includes a controllable payment intangible.

Sec. 14. Section 554.9102, subsection 1, Code 2022, is amended by adding the following new paragraphs:

NEW PARAGRAPH. 0ab. "Controllable account" means an account evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that under section 554.14105 has control of the controllable electronic record.

NEW PARAGRAPH. 00ab. "Controllable payment intangible" means a payment intangible evidenced by a controllable electronic record that provides that the account debtor undertakes to pay the person that under section 554.14105 has control of the controllable electronic record.

NEW PARAGRAPH. 0af. "Electronic money" means money that is in an electronic form.

NEW PARAGRAPH. 0bc. "Money" has the meaning provided in section 554.1201, subsection 2, paragraph "x", but does not include a deposit account.

NEW PARAGRAPH. 0cb. "Tangible money" means money in a tangible form.

Sec. 15. Section 554.9102, subsection 2, Code 2022, is amended by adding the following new paragraphs:

NEW PARAGRAPH. 0i. "Controllable electronic record"Section 554.14102.

NEW PARAGRAPH. 0ae. "Qualifying purchaser"Section 554.14102.

Sec. 16. **NEW SECTION. 554.9105A Control of electronic money.**

1. *General rule — control of electronic money.* A person has control of electronic money if:
a. the electronic money or a system in which the electronic money is recorded gives the person:

- (1) the power to avail itself of substantially all the benefit from the electronic money; and
- (2) exclusive power, subject to subsection 2, to:

(a) prevent others from availing themselves of substantially all the benefit from the electronic money; and

(b) transfer control of the electronic money to another person or cause another person to obtain control of other electronic money as a result of the transfer of the electronic money; and

b. the electronic money, a record attached to or logically associated with the electronic money, or a system in which the electronic money is recorded enables the person readily to identify itself in any way, including by name, identifying number, cryptographic key, office, or account number, as having the powers under paragraph "a".

2. *Control through another person.* A person has control of electronic money if another person, other than the transferor of an interest in the electronic money:

a. has control of the electronic money and acknowledges that it has control on behalf of the person, or

b. obtains control of the electronic money after having acknowledged that it will obtain control of the electronic money on behalf of the person.

3. *Meaning of exclusive.* A power is exclusive under subsection 1, paragraph "a", subparagraph (2), even if:

a. the electronic money or a system in which the electronic money is recorded limits the use of the electronic money or has a protocol programmed to transfer control; or

b. the person has agreed to share the power with another person.

Sec. 17. **NEW SECTION. 554.9107A Control of controllable account, controllable electronic record, or controllable payment intangible.**

1. *Control under section 554.14105.* A secured party has control of a controllable electronic record as provided in section 554.14105.

2. *Control of controllable account and controllable payment intangible.* A secured party has control of a controllable account or controllable payment intangible if the secured party has control of the controllable electronic record that evidences the controllable account or controllable payment intangible.

Sec. 18. [Section 554.9203, subsection 2](#), Code 2022, is amended to read as follows:

2. *Enforceability.* Except as otherwise provided in [subsections 3 through 9 10](#), a security interest is enforceable against the debtor and third parties with respect to the collateral only if:

a. value has been given;
b. the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party; and

c. one of the following conditions is met:

(1) the debtor has authenticated a security agreement that provides a description of the collateral and, if the security interest covers timber to be cut, a description of the land concerned;

(2) the collateral is not a certificated security and is in the possession of the secured party under [section 554.9313](#) pursuant to the debtor's security agreement;

(3) the collateral is a certificated security in registered form and the security certificate has been delivered to the secured party under [section 554.8301](#) pursuant to the debtor's security agreement; or

(4) the collateral is controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic chattel paper, electronic documents, electronic money, investment property, or letter-of-credit rights, or ~~electronic documents,~~ and the secured party has control under [section 554.7106](#), [554.9104](#), [554.9105](#), [554.9105A](#), [554.9106](#), ~~or~~ [554.9107](#), or [554.9107A](#) pursuant to the debtor's security agreement.

Sec. 19. [Section 554.9203](#), Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 10. *Controllable account or controllable payment intangible.* The attachment of a security interest in a controllable electronic record that evidences a controllable account or controllable payment intangible is also attachment of a security interest in the controllable account or controllable payment intangible.

Sec. 20. [Section 554.9207, subsection 3](#), Code 2022, is amended to read as follows:

3. *Duties and rights when secured party in possession or control.* Except as otherwise provided in [subsection 4](#), a secured party having possession of collateral or control of collateral under [section 554.7106](#), [554.9104](#), [554.9105](#), [554.9105A](#), [554.9106](#), ~~or~~ [554.9107](#), or [554.9107A](#):

a. may hold as additional security any proceeds, except money or funds, received from the collateral;

b. shall apply money or funds received from the collateral to reduce the secured obligation, unless remitted to the debtor; and

c. may create a security interest in the collateral.

Sec. 21. [Section 554.9208, subsection 2](#), paragraphs e and f, Code 2022, are amended to read as follows:

e. a secured party having control of a letter-of-credit right under [section 554.9107](#) shall send to each person having an unfulfilled obligation to pay or deliver proceeds of the letter of credit to the secured party an authenticated release from any further obligation to pay or deliver proceeds of the letter of credit to the secured party; ~~and~~

f. a secured party having control of an electronic document shall:

(1) give control of the electronic document to the debtor or its designated custodian;

(2) if the debtor designates a custodian that is the designated custodian with which the authoritative copy of the electronic document is maintained for the secured party, communicate to the custodian an authenticated record releasing the designated custodian from any further obligation to comply with instructions originated by the secured party and instructing the custodian to comply with instructions originated by the debtor; and

(3) take appropriate action to enable the debtor or its designated custodian to make copies of or revisions to the authoritative copy which add or change an identified assignee of the authoritative copy without the consent of the secured party.; and

Sec. 22. [Section 554.9208, subsection 2](#), Code 2022, is amended by adding the following new paragraphs:

NEW PARAGRAPH. g. a secured party having control under [section 554.9105A](#) of electronic money shall transfer control of the electronic money to the debtor or a person designated by the debtor; and

NEW PARAGRAPH. h. a secured party having control under [section 554.14105](#) of a controllable electronic record shall transfer control of the controllable electronic record to the debtor or a person designated by the debtor.

Sec. 23. [Section 554.9301, subsection 3](#), Code 2022, is amended to read as follows:

3. Except as otherwise provided in [subsection 4](#), while tangible negotiable documents, goods, instruments, tangible money, or tangible chattel paper is located in a jurisdiction, the local law of that jurisdiction governs:

- a. perfection of a security interest in the goods by filing a fixture filing;
- b. perfection of a security interest in timber to be cut; and
- c. the effect of perfection or nonperfection and the priority of a nonpossessory security interest in the collateral.

Sec. 24. NEW SECTION. 554.9306A Law governing perfection and priority of security interests in controllable accounts, controllable electronic records, and controllable payment intangibles.

The local law of this state governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in a controllable account, controllable electronic record, or controllable payment intangible granted by a debtor located in this state at the time the security interest becomes enforceable against the debtor with respect to the collateral under [section 554.9203](#).

Sec. 25. [Section 554.9308](#), Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 8. Controllable account or payment intangible. Perfection of a security interest in a controllable electronic record that evidences a controllable account or controllable payment intangible also perfects a security interest in the controllable account or controllable payment intangible.

Sec. 26. [Section 554.9310, subsection 2](#), paragraph h, Code 2022, is amended to read as follows:

h. in controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic chattel paper, electronic documents, investment property, or letter-of-credit rights which is perfected by control under [section 554.9314](#);

Sec. 27. [Section 554.9312](#), Code 2022, is amended to read as follows:

554.9312 Perfection of security interests in controllable accounts, controllable electronic records, controllable payment intangibles, chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letter-of-credit rights, and money — perfection by permissive filing — temporary perfection without filing or transfer of possession.

1. *Perfection by filing permitted.* A security interest in controllable accounts, controllable electronic records, controllable payment intangibles, chattel paper, negotiable documents, instruments, or investment property may be perfected by filing.

2. *Control or possession of certain collateral.* Except as otherwise provided in [section 554.9315, subsections 3 and 4](#), for proceeds:

- a. a security interest in a deposit account may be perfected only by control under [section 554.9314](#);

b. and except as otherwise provided in [section 554.9308, subsection 4](#), a security interest in a letter-of-credit right may be perfected only by control under [section 554.9314](#); and

c. a security interest in tangible money may be perfected only by the secured party's taking possession under [section 554.9313](#); and

d. a security interest in electronic money may be perfected only by control under [section 554.9314](#).

3. *Goods covered by negotiable document.* While goods are in the possession of a bailee that has issued a negotiable document covering the goods:

a. a security interest in the goods may be perfected by perfecting a security interest in the document; and

b. a security interest perfected in the document has priority over any security interest that becomes perfected in the goods by another method during that time.

4. *Goods covered by nonnegotiable document.* While goods are in the possession of a bailee that has issued a nonnegotiable document covering the goods, a security interest in the goods may be perfected by:

a. issuance of a document in the name of the secured party;

b. the bailee's receipt of notification of the secured party's interest; or

c. filing as to the goods.

5. *Temporary perfection — new value.* A security interest in certificated securities, negotiable documents, or instruments is perfected without filing or the taking of possession or control for a period of twenty days from the time it attaches to the extent that it arises for new value given under an authenticated security agreement.

6. *Temporary perfection — goods or documents made available to debtor.* A perfected security interest in a negotiable document or goods in possession of a bailee, other than one that has issued a negotiable document for the goods, remains perfected for twenty days without filing if the secured party makes available to the debtor the goods or documents representing the goods for the purpose of:

a. ultimate sale or exchange; or

b. loading, unloading, storing, shipping, transshipping, manufacturing, processing, or otherwise dealing with them in a manner preliminary to their sale or exchange.

7. *Temporary perfection — delivery of security certificate or instrument to debtor.* A perfected security interest in a certificated security or instrument remains perfected for twenty days without filing if the secured party delivers the security certificate or instrument to the debtor for the purpose of:

a. ultimate sale or exchange; or

b. presentation, collection, enforcement, renewal, or registration of transfer.

8. *Expiration of temporary perfection.* After the twenty-day period specified in [subsection 5, 6, or 7](#) expires, perfection depends upon compliance with [this Article](#).

Sec. 28. [Section 554.9313, subsection 1](#), Code 2022, is amended to read as follows:

1. *Perfection by possession or delivery.* Except as otherwise provided in [subsection 2](#), a secured party may perfect a security interest in tangible negotiable documents, goods, instruments, tangible money, or tangible chattel paper by taking possession of the collateral. A secured party may perfect a security interest in certificated securities by taking delivery of the certificated securities under [section 554.8301](#).

Sec. 29. [Section 554.9314, subsections 1 and 2](#), Code 2022, are amended to read as follows:

1. *Perfection by control.* A security interest in ~~investment property, deposit accounts, letter-of-credit rights, electronic chattel paper, or electronic documents~~ controllable accounts, controllable electronic records, controllable payment intangibles, deposit accounts, electronic chattel paper, electronic documents, electronic money, investment property, or letter-of-credit rights, may be perfected by control of the collateral under [section 554.7106, 554.9104, 554.9105, 554.9105A, 554.9106, or 554.9107, or 554.9107A](#).

2. *Specified collateral — time of perfection by control — continuation of perfection.* A security interest in ~~deposit accounts, electronic chattel paper, letter-of-credit rights, or electronic documents~~ controllable accounts, controllable electronic records, controllable

payment intangibles, deposit accounts, electronic chattel paper, electronic documents, electronic money, or letter-of-credit rights, is perfected by control under [section 554.7106](#), [554.9104](#), [554.9105](#), [554.9105A](#) or [554.9107](#), or [554.9107A](#) when the secured party obtains control and remains perfected by control only while the secured party retains control.

Sec. 30. **NEW SECTION. 554.9326A Priority of security interests in controllable account, controllable electronic record, and controllable payment intangible.**

A security interest in a controllable account, controllable electronic record, or controllable payment intangible held by a secured party having control of the account, electronic record, or payment intangible has priority over a conflicting security interest held by a secured party that does not have control.

Sec. 31. [Section 554.9331](#), Code 2022, is amended to read as follows:

554.9331 Priority of rights of purchasers of instruments, controllable accounts, controllable records, controllable payment intangibles, documents, instruments, and securities under other articles Articles — priority of interests in financial assets and security entitlements and protections against assertions of claims under Article Articles 8 and 14.

1. *Rights under Articles 3, 7, and 8, and 14 not limited.* This Article does not limit the rights of a holder in due course of a negotiable instrument, a holder to which a negotiable document of title has been duly negotiated, or a protected purchaser of a security, or a qualifying purchaser of a controllable account, controllable electronic record, or controllable payment intangible. These holders or purchasers take priority over an earlier security interest, even if perfected, to the extent provided in [Articles 3, 7, and 8, and 14](#).

2. *Protection under Article Articles 8 and 14.* This Article does not limit the rights of or impose liability on a person to the extent that the person is protected against the assertion of a claim under [Article 8](#) or [14](#).

3. *Filing not notice.* Filing under this Article does not constitute notice of a claim or defense to the holders, or purchasers, or persons described in [subsections 1 and 2](#).

Sec. 32. [Section 554.9332](#), Code 2022, is amended to read as follows:

554.9332 Transfer of money — transfer of funds from deposit account.

1. *Transferee of tangible money.* A transferee of tangible money takes the money free of a security interest ~~unless the transferee acts in the money~~ if the transferee when receiving delivery of the money does not act in collusion with the debtor in violating the rights of the secured party.

2. *Transferee of electronic money.* A transferee of electronic money takes the money free of a security interest in the money if the transferee when obtaining control of the money does not act in collusion with the debtor in violating the rights of the secured party.

2. 3. *Transferee of funds from deposit account.* A transferee of funds from a deposit account takes the funds free of a security interest in the deposit account ~~unless the transferee acts~~ if the transferee when receiving the funds does not act in collusion with the debtor in violating the rights of the secured party.

Sec. 33. [Section 554.9406](#), [subsections 1, 2, and 3](#), Code 2022, are amended to read as follows:

1. *Discharge of account debtor — effect of notification.* Subject to [subsections 2 through 9 and 11](#), an account debtor on an account, chattel paper, or a payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, authenticated by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.

2. *When notification ineffective.* Subject to ~~subsection~~ [subsections 8 and 11](#), notification is ineffective under [subsection 1](#):

a. if it does not reasonably identify the rights assigned;

b. to the extent that an agreement between an account debtor and a seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than [this Article](#); or

c. at the option of an account debtor, if the notification notifies the account debtor to make less than the full amount of any installment or other periodic payment to the assignee, even if:

(1) only a portion of the account, chattel paper, or payment intangible has been assigned to that assignee;

(2) a portion has been assigned to another assignee; or

(3) the account debtor knows that the assignment to that assignee is limited.

3. *Proof of assignment.* Subject to [subsection subsections 8 and 11](#), if requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under [subsection 1](#).

Sec. 34. [Section 554.9406](#), Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 11. *Inapplicability of certain subsections.* [Subsections 1 through 3 and 7](#) do not apply to a controllable account or controllable payment intangible.

Sec. 35. [Section 554.9601, subsection 2](#), Code 2022, is amended to read as follows:

2. *Rights and duties of secured party in possession or control.* A secured party in possession of collateral or control of collateral under [section 554.7106, 554.9104, 554.9105, 554.9105A, 554.9106, or 554.9107, or 554.9107A](#) has the rights and duties provided in [section 554.9207](#).

Sec. 36. [Section 554.9605](#), Code 2022, is amended to read as follows:

554.9605 Unknown debtor or secondary obligor.

1. *Duties to unknown persons — general rule.* A Except as provided in [subsection 2](#), a secured party does not owe a duty based on its status as secured party:

1. a. to a person that is a debtor or obligor, unless the secured party knows:

a. (1) that the person is a debtor or obligor;

b. (2) the identity of the person; and

c. (3) how to communicate with the person; or

2. b. to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

a. (1) that the person is a debtor; and

b. (2) the identity of the person.

2. *When secured party owes duty to debtor notwithstanding subsection 1.* A secured party owes a duty based on its status as a secured party to a person that is a debtor if, at the time the secured party obtains control of a controllable account, controllable electronic record, or controllable payment intangible, the secured party has knowledge that the nature of the collateral or a system in which the collateral is recorded would prevent the secured party from acquiring the knowledge specified in [subsection 1](#), paragraph "a", subparagraph (1), (2), or (3).

Sec. 37. [Section 554.9628, subsection 2](#), Code 2022, is amended to read as follows:

2. *Limitation of liability based on status as secured party.* A Subject to [subsection 6](#), a secured party is not liable because of its status as secured party:

a. to a person that is a debtor or obligor, unless the secured party knows:

(1) that the person is a debtor or obligor;

(2) the identity of the person; and

(3) how to communicate with the person; or

b. to a secured party or lienholder that has filed a financing statement against a person, unless the secured party knows:

(1) that the person is a debtor; and

(2) the identity of the person.

Sec. 38. [Section 554.9628](#), Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 6. *When secured party owes duty to debtor notwithstanding subsection 2.* A secured party owes a duty based on its status as a secured party to a person that is a debtor if, at the time the secured party obtains control of a controllable account, controllable electronic record, or controllable payment intangible, the secured party has knowledge that the nature of the collateral or a system in which the collateral is recorded would prevent the secured party from acquiring the knowledge specified in [subsection 2](#), paragraph “a”, subparagraph (1), (2), or (3).

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