

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".

2022 Acts, ch 1117, §6

NEW section