

January 30, 1961.
Placed on Calendar.

House File 212
By COMMITTEE ON BANKS,
BUILDING AND LOAN.

Passed House, Date.....1-31-61 Passed Senate, Date.....2-12-61
Vote: Ayes.....98 Nays.....1 Vote: Ayes.....43 Nays.....0
Approved.....2-21-61

A BILL FOR

An Act relating to the negotiable instruments law affecting inland and foreign bills of exchange.

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

1 Section 1. Section five hundred forty-one point one hundred thirty
2 (541.130), Code 1958, is hereby repealed and the following enacted in
3 lieu thereof:

4 "541.130 Inland and foreign bills of exchange.

5 1. An inland bill of exchange is a bill which is, or on its face
6 purports to be, both drawn and payable within the United States. Any
7 other bill is a foreign bill.

8 2. For the purposes of subsection one (1) hereof, 'United States'
9 means the states, territories, dependencies and possessions of the
10 United States, the District of Columbia and Puerto Rico.

11 3. Unless the contrary appears on the face of the bill, the holder
12 may treat it as an inland bill."

EXPLANATION OF HOUSE FILE 212

The purpose of this act is to effect a change in the meaning of the term, foreign bill of exchange, set forth in section 541.30, Code 1958, of the Uniform Negotiable Instruments Law, so as to eliminate the necessity of protest, as a condition of the liability of drawers and indorsers in the event of dishonor, except as to bills of exchange which show on their face that they are drawn or payable outside the United States. Protest would still be permissible, though not required, in the case of any negotiable instrument other than a foreign bill of exchange.

The proposed act retains the technique of defining a foreign bill that is followed in all the states and other jurisdictions in the United States in which the Uniform Negotiable Instruments Law is in effect, that is, by stating that any bill which is not an inland bill is a foreign bill. The law of most states now defines an inland bill as one "which is, or on its face purports to be, both drawn and payable within this state." A dishonored inland bill is not required to be protested. By defining an inland bill as one which is, or on its face purports to be, both drawn and payable within the United States, the proposed act would automatically exclude from the definition of foreign bill many bills that would be defined as foreign bills under present law, and would thus make it unnecessary to protest such bills in the event of their dishonor.

Although the change would not deprive any holder of his right to instruct his bank to obtain protest of any individual item in the event it was dishonored when presented

for payment, it would relieve bank depositors of the irritation that arises from their having to pay for protests that were neither ordered nor wanted, and would also relieve banks of the nuisance of protest and the collection of protest fees on behalf of notaries.

The proposed act would, however, have the effect of retaining the present requirement of protest in the case of dishonored bills showing on their face that they were drawn in one country and were payable in another. This requirement appears to conform to the best international usage. This bill is recommended also by the American Bankers Association and the Iowa Bankers Association.