

House Study Bill 532 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON COWNIE)

A BILL FOR

1 An Act relating to stopping payment on a negotiable instrument
2 by using an electronic record in lieu of a writing.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 554.4403, Code 2018, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 2A. In addition to a stop-payment order
4 made or renewed in writing as described in subsection 2, an
5 equivalent stop-payment order may also be made or renewed
6 as part of a record that is stored in an electronic medium,
7 and submitted to the bank, which may include delivery via
8 electronic transmission.

9 EXPLANATION

10 The inclusion of this explanation does not constitute agreement with
11 the explanation's substance by the members of the general assembly.

12 This bill amends a provision in Article 4, Part 4, of the
13 uniform commercial code ("UCC") regulating the relationship
14 between banks and its customers.

15 Code section 554.4403 requires a customer or other
16 authorized person to give the bank timely and adequate notice
17 of stop-payment instructions (an "order") either verbally or in
18 writing. The order must be received by the bank in sufficient
19 detail (describing the item or account) and within a reasonable
20 time sufficient for it to act (some period between the time the
21 item left the customer's possession and before it is presented
22 to the bank for payment from the customer's account). A verbal
23 stop-payment order lapses 14 days after it was given. A
24 written stop-payment order lapses after six months following
25 the date it was given. During the period that a verbal or
26 written stop-payment order is effective, it may be renewed for
27 any number of additional six-month periods but only if the
28 order is given in writing during the effectiveness of the last
29 order given.

30 The bill amends Code section 554.4403 by allowing a customer
31 or other authorized person to contact the customer's bank by
32 using an electronic "record" and submitting that record (e.g.,
33 by electronic transmission such as email) to stop payment on an
34 item on an equivalent basis to a written stop-payment order.