

**SENATE . . . . . No.**

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**The Commonwealth of Massachusetts**

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PRESENTED BY:

*Cynthia Stone Creem*

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*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to the Massachusetts Uniform Commercial Code.

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PETITION OF:

NAME:

*Cynthia Stone Creem*

DISTRICT/ADDRESS:

*Norfolk and Middlesex*

**SENATE . . . . . No.**

[Pin Slip]

**The Commonwealth of Massachusetts**

**In the One Hundred and Ninety-Fourth General Court  
(2025-2026)**

An Act relative to the Massachusetts Uniform Commercial Code.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Section 1-201(b)(10) of chapter 106 of the General Laws, as appearing in  
2 the 2022 Official Edition, is hereby amended by (i) inserting, after the word “that”, the following  
3 words:-- “, based on the totality of the circumstances,”; (ii) striking out the words “Conspicuous  
4 terms include the following:” in that Section, and (iii) striking out subsections (A) and (B).

5 SECTION 2. Said chapter 106 is hereby amended by striking out Section 1-201(b)(15),  
6 and inserting in place thereof the following Section:--

7 (15) “Delivery”, with respect to an electronic document of title, means voluntary transfer  
8 of control and, with respect to an instrument, a tangible document of title, or an authoritative  
9 tangible copy of a record evidencing chattel paper, means voluntary transfer of possession.

10 SECTION 3. Section 1-201(b)(16) of said chapter 106 is hereby is hereby amended by  
11 inserting the following new Section at the end of Section 1-201(b):--

12 (16A) “Electronic” means relating to technology having electrical, digital, magnetic,  
13 wireless, optical, electromagnetic, or similar capabilities.

14 SECTION 4. Section 1-201(b)(21) of said chapter 106 is hereby amended by inserting in  
15 subsection C, after the word “control”, the following words:-- “, other than pursuant to Section 7-  
16 106(g)”.

17 SECTION 5. Said chapter 106 is hereby amended by striking out Section 1-201(b)(24),  
18 and inserting in place thereof the following Section:--

19 (24) “Money” means a medium of exchange that is currently authorized or adopted by a  
20 domestic or foreign government. The term includes a monetary unit of account established by an  
21 intergovernmental organization, or pursuant to an agreement between two or more countries. The  
22 term does not include an electronic record that is a medium of exchange recorded and  
23 transferable in a system that existed and operated for the medium of exchange before the  
24 medium of exchange was authorized or adopted by the government.

25 SECTION 6. Said chapter 106 is hereby amended by striking out Section 1-201(b)(27),  
26 and inserting in place thereof the following Section:--

27 (27) “Person” means an individual, corporation, business trust, estate, trust, partnership,  
28 limited liability company, association, joint venture, government, governmental subdivision,  
29 agency, or instrumentality, or any other legal or commercial entity. The term includes a protected  
30 series, however denominated, of an entity if the protected series is established under law other  
31 than this chapter that limits, or limits if conditions specified under the law are satisfied, the  
32 ability of a creditor of the entity or of any other protected series of the entity to satisfy a claim  
33 from assets of the protected series.

34 SECTION 7. Said chapter 106 is hereby amended by striking out Section 1-201(b)(36),  
35 and inserting in place thereof the following Section:--

36 (36) “Send”, in connection with a record or notification, means:

37 (A) to deposit in the mail, deliver for transmission, or transmit by any other usual means  
38 of communication, with postage or cost of transmission provided for, addressed to any address  
39 reasonable under the circumstances; or

40 (B) to cause the record or notification to be received within the time it would have been  
41 received if properly sent under subparagraph (A).

42 SECTION 8. Said chapter 106 is hereby amended by striking out Section 1-201(b)(37),  
43 and inserting in place thereof the following Section:--

44 (37) “Sign” means, with present intent to authenticate or adopt a record:

45 (A) execute or adopt a tangible symbol; or

46 (B) attach to or logically associate with the record an electronic symbol, sound, or  
47 process.

48 “Signed”, “signing”, and “signature” have corresponding meanings.

49 SECTION 9. Section 1-204 of said chapter 106 is hereby amended by (i) striking out the  
50 words “and 5,” and (ii) inserting in place thereof the following words:-- “5 and 12,”.

51 SECTION 10. Section 1-301(c) of said chapter 106 is hereby further amended by (i)  
52 striking out the period at the end of subsection (8) and by inserting in place thereof the  
53 following:-- “;”, and (ii) inserting the following new section at the end of Section 1-301(c):--

54 (9) Section 12-107.

55 SECTION 11. Section 1-306 of said chapter 106 is hereby amended by striking out the  
56 words “an authenticated” after the words “party in” and by inserting in place thereof the  
57 following words:-- “a signed”.

58 SECTION 12. Said chapter 106 is hereby amended by striking out Section 2-102 and  
59 inserting in place thereof the following Section:--

60 SECTION 2-102. Scope; Certain Security and Other Transactions Excluded from this  
61 Article.

62 (1) Unless the context otherwise requires, and except as provided in subsection (3), this  
63 Article applies to transactions in goods and, in the case of a hybrid transaction, it applies to the  
64 extent provided in subsection (2).

65 (2) In a hybrid transaction:

66 (a) If the sale-of-goods aspects do not predominate, only the provisions of this Article  
67 that relate primarily to the sale-of-goods aspects of the transaction apply, and the provisions that  
68 relate primarily to the transaction as a whole do not apply.

69 (b) If the sale-of-goods aspects predominate, this Article applies to the transaction but  
70 does not preclude application in appropriate circumstances of other law to aspects of the  
71 transaction that do not relate to the sale of goods.

72 (3) This Article does not:

73 (a) apply to a transaction that, even though in the form of an unconditional contract to sell  
74 or present sale, operates only to create a security interest; or

75 (b) impair or repeal a statute regulating sales to consumers, farmers, or other specified  
76 classes of buyers.

77 SECTION 13. Section 2-106 of said chapter 106 is hereby amended by inserting (i) in the  
78 title of the section, after the word “Cancellation” and before the period, the words “; Hybrid  
79 Transaction” and (ii) the following new clause:--

80 (5) “Hybrid transaction” means a single transaction involving a sale of goods and:

81 (a) the provision of services;

82 (b) a lease of other goods; or

83 (c) a sale, lease, or license of property other than goods.

84 SECTION 14. Section 2-201 of said chapter 106 is hereby amended by striking out  
85 subsection (1), and by inserting in place thereof the following new subsection:--

86 (1) Except as otherwise provided in this section a contract for the sale of goods for the  
87 price of \$500 or more is not enforceable by way of action or defense unless there is a record  
88 sufficient to indicate that a contract for sale has been made between the parties and signed by the  
89 party against whom enforcement is sought or by the party’s authorized agent or broker. A record  
90 is not insufficient because it omits or incorrectly states a term agreed upon but the contract is not  
91 enforceable under this subsection beyond the quantity of goods shown in the record.

92 SECTION 15. Section 2-201 of said chapter 106 is further amended by striking out  
93 subsection (2), and by and inserting in place thereof the following new subsection:--

94 (2) Between merchants if within a reasonable time a record in confirmation of the  
95 contract and sufficient against the sender is received and the party receiving it has reason to  
96 know its contents, it satisfies the requirements of subsection (1) against the party unless notice in  
97 a record of objection to its contents is given within 10 days after it is received.

98 SECTION 16. Section 2-202 of said chapter 106 is hereby amended by (i) striking out in  
99 the title of the section the word “written” after the word “final”, (ii) striking out the word  
100 “writing” wherever it appears in that Section and by inserting in each place thereof the following  
101 word:-- “record”, and (iii) inserting a colon after the word “supplemented”.

102 SECTION 17. Section 2-203 of said chapter 106 is hereby amended by striking out the  
103 word “writing” where it appears in that Section and by inserting in each place thereof the  
104 following word:-- “record”.

105 SECTION 18. Section 2-205 of said chapter 106 is hereby amended by striking out the  
106 word “writing” wherever it appears in that Section and by inserting in each place thereof the  
107 following word:-- “record”.

108 SECTION 19. Section 2-209 of said chapter 106 is hereby amended by inserting, after the  
109 word “writing”, the following:-- “or other signed record”.

110 SECTION 20. Section 2-607(3) of said chapter 106 is hereby amended by (i) striking out  
111 the word “he” after the word “after” in subsection (a) and inserting in place thereof the word “it”,

112 and (ii) striking out the words “such a” after the word “of” in subsection (b) and inserting in  
113 place thereof the following word:-- “the”.

114 SECTION 21. Section 2-607(5) of said chapter 106 is hereby amended by striking out the  
115 word “he” after the word “defend” in that Section, and by inserting in place thereof the  
116 following:-- “the seller”.

117 SECTION 22. Said chapter 106 is hereby amended by striking out Section 2A-102, and  
118 by inserting in place thereof the following new Section:--

119 Section 2A-102. Scope.

120 (1) This Article applies to any transaction, regardless of form, that creates a lease and, in  
121 the case of a hybrid lease, it applies to the extent provided in subsection (2).

122 (2) In a hybrid lease:

123 (a) if the lease-of-goods aspects do not predominate:

124 (i) only the provisions of this Article which relate primarily to the lease-of-goods aspects  
125 of the transaction apply, and the provisions that relate primarily to the transaction as a whole do  
126 not apply;

127 (ii) Section 2A 209 applies if the lease is a finance lease; and

128 (iii) Section 2A-407 applies to the promises of the lessee in a finance lease to the extent  
129 the promises are consideration for the right to possession and use of the leased goods; and



130 (b) if the lease-of-goods aspects predominate, this Article applies to the transaction, but  
131 does not preclude application in appropriate circumstances of other law to aspects of the lease  
132 which do not relate to the lease of goods.

133 SECTION 23. Section 2A-103 of said chapter 106 is hereby amended by inserting at the  
134 end of subsection (1) the following new clause:--

135 (h.1) “Hybrid lease” means a single transaction involving a lease of goods and:

136 (i) the provision of services;

137 (ii) a sale of other goods; or

138 (iii) a sale, lease, or license of property other than goods.

139 SECTION 24. Section 2A-107 of said chapter 106 is hereby amended by (i) striking out  
140 the word “written” after the word “a”, (ii) inserting the words “in a” after the word  
141 “renunciation”, and (iii) striking out the word “and” after the word “signed” and inserting in  
142 place thereof the following:-- “record”.

143 SECTION 25. Section 2A-201 of said chapter 106 is hereby amended by striking out the  
144 word “writing” wherever it appears in that Section and by inserting in each place thereof the  
145 following:-- “record”.

146 SECTION 26. Section 2A-202 of said chapter 106 is hereby amended by (i) striking out  
147 the word “written” after the word “final” in the title of that Section, and (ii) striking out the word  
148 “writing” wherever it appears in that Section and inserting in each place thereof the following:--  
149 “record”.

150 SECTION 27. Section 2A-203 of said chapter 106 is hereby amended by striking out the  
151 word “writing” wherever it appears in that Section and by inserting in each place thereof the  
152 following:-- “record”.

153 SECTION 28. Section 2A-205 of said chapter 106 is hereby amended by striking out the  
154 word “writing” where it appears in that Section and by inserting in each place thereof the  
155 following:-- “record”.

156 SECTION 29. Section 2A-208 of said chapter 106 is hereby amended by striking out the  
157 word “writing” where it appears in that Section and by inserting in each place thereof the  
158 following:-- “record”.

159 SECTION 30. Section 3-103(a) of chapter 106 of the General Laws is hereby amended  
160 by (i) striking the definition out of the definition of “good faith”, (ii) inserting the following  
161 definitions in alphabetical order and (iii) renumbering all of the definitions in numerical order:--

162 (2) “Consumer account” means an account established by an individual primarily for  
163 personal, family, or household purposes.

164 (3) “Consumer transaction” means a transaction in which an individual incurs an  
165 obligation primarily for personal, family, or household purposes.

166 (10) “Principal obligor,” with respect to an instrument, means the accommodated party or  
167 any other party to the instrument against whom a secondary obligor has recourse under this  
168 Article.

169 (13) “Record” means information that is inscribed on a tangible medium or that is stored  
170 in an electronic or other medium and is retrievable in perceivable form.

171 (15) “Remotely-created consumer item” means an item drawn on a consumer account,  
172 which is not created by the payor bank and does not bear a handwritten signature purporting to  
173 be the signature of the drawer.

174 (16) “Secondary obligor,” with respect to an instrument, means (i) an indorser or an  
175 accommodation party, (ii) a drawer having the obligation described in Section 3-414(d), or (iii)  
176 any other party to the instrument that has recourse against another party to the instrument  
177 pursuant to Section 3-116(b).

178 SECTION 31. Section 3-103(b) of said chapter 106 is hereby amended by inserting a  
179 reference to a definition for “Account” which appears in “Section 4-104”.

180 SECTION 32. Section 3-104(a)(3) of said chapter 106 is hereby amended by striking the  
181 word “or” following “collateral,” in subsection (ii), by inserting a comma after the word  
182 “obligor” in subsection (iii) and by inserting the following new clauses at the end of Section 3-  
183 104(a):--

184 (iv) a term that specifies the law that governs the promise or order, or

185 (v) an undertaking to resolve in a specified forum a dispute concerning the promise or  
186 order.

187 SECTION 33: Section 3-105(a) of said chapter is hereby amended by inserting before the  
188 words “the first”, the following:--“(1)”, and by inserting after the word “person”, the following:--  
189 “; or”.

190 SECTION 34: Section 3-105(a) of said chapter is further amended by inserting the  
191 following new section after Section 3-105(a)(1):--

192 (2) if agreed by the payee, the first transmission by the drawer to the payee of an image  
193 of an item and information derived from the item that enables the depository bank to collect the  
194 item by transferring or presenting under federal law an electronic check.

195 SECTION 35. Section 3-106 of said chapter 106 is hereby amended by striking out the  
196 word “writing” wherever it appears in that Section and by inserting in each place thereof the  
197 following word:-- “record”.

198 SECTION 36. Section 3-116(b) of said chapter 106 is hereby amended by striking out the  
199 words “3-419(e)” in that Section and by inserting in place thereof the following words:-- “3-  
200 419(f)”.

201 SECTION 37. Section 3-116(c) of said chapter 106 is hereby repealed.

202 SECTION 38. Section 3-119 of said chapter 106 is hereby amended by striking out the  
203 word “written” in that Section and by inserting, after the word “litigation”, the following words:-  
204 - “in a record”.

205 SECTION 39. Section 3-305(a) of said chapter 106 is hereby amended by striking out the  
206 words “stated in subsection (b)” in that Section and by inserting in place thereof the following  
207 words:-- “otherwise provided in this section”.

208 SECTION 40. Section 3-305 of said chapter 106 is hereby amended by inserting the  
209 following new subsections at the end of Section 3-305:--

210 (e) In a consumer transaction, if law other than this Article requires that an instrument  
211 include a statement to the effect that the rights of a holder or transferee are subject to a claim or

212 defense that the issuer could assert against the original payee and the instrument does not include  
213 such a statement:

214 (1) the instrument has the same effect as if the instrument included such a statement;

215 (2) the issuer may assert against the holder or transferee all claims and defenses that  
216 would have been available if the instrument included such a statement; and

217 (3) the extent to which the claims may be asserted against the holder or transferee is  
218 determined as if the instrument included such a statement.

219 (f) This section is subject to law other than this Article which establishes a different rule  
220 for consumer transactions.

221 SECTION 41. Said chapter 106 is hereby amended by striking out Section 3-309(a), and  
222 inserting in place thereof the following Section:--

223 (a) A person not in possession of an instrument is entitled to enforce the instrument if:

224 (1) the person seeking to enforce the instrument:

225 (A) was entitled to enforce the instrument when loss of possession occurred; or

226 (B) has directly or indirectly acquired ownership of the instrument from a person that was  
227 entitled to enforce the instrument when loss of possession occurred;

228 (2) the loss of possession was not the result of a transfer by the person or a lawful seizure;

229 and

230 (3) the person cannot reasonably obtain possession of the instrument because the  
231 instrument was destroyed, its whereabouts cannot be determined, or it is in the wrongful  
232 possession of an unknown person or a person that cannot be found or is not amenable to service  
233 of process.

234 SECTION 42. Section 3-312(a)(3) of said chapter 106 is hereby amended by striking out  
235 the word “written” in that Section and by inserting, after the word “made”, the following words:-  
236 - “in a record”.

237 SECTION 43: Section 3-401 of said chapter is hereby amended by striking out the word  
238 “(a)” before the words “A person”, and by striking out section 3-401(b).

239 SECTION 44. Section 3-416(a) of said chapter 106 is hereby amended by (i) striking out  
240 the word “and” after the word “warrantor;” in clause (4), (ii) striking out the period at the end of  
241 clause (5), (iii) inserting in place thereof the following:-- “; and”, and (iv) by inserting the  
242 following new clause:--

243 (6) with respect to a remotely-created consumer item, that the person on whose account  
244 the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

245 SECTION 45. Section 3-416 of said chapter 106 is hereby further amended by inserting  
246 the following new subsection at the end of Section 3-416:--

247 (e) A claim for breach of the warranty in subsection (a)(6) is available against a previous  
248 transferor of the item only to the extent that under applicable law (including the applicable  
249 choice-of-law principle) all previous transferors of the item made the warranty in subsection  
250 (a)(6).

251 SECTION 46. Section 3-417(a) of said chapter 106 is hereby amended by (i) striking out  
252 the word “and” after the word “altered;” in clause (2), (ii) striking out the period at the end of  
253 clause (3) and inserting in place thereof the following:-- “; and”, and (iii) by inserting the  
254 following new clause:--

255 (4) with respect to any remotely-created consumer item, that the person on whose account  
256 the item is drawn authorized the issuance of the item in the amount for which the item is drawn.

257 SECTION 47. Section 3-417 of said chapter 106 is hereby further amended by inserting  
258 the following new subsection at the end of Section 3-417:--

259 (g) A claim for breach of the warranty in subsection (a)(4) is available against a previous  
260 transferor of the item only to the extent that under applicable law (including the applicable  
261 choice-of-law principle) all previous transferors of the item made the warranty in subsection  
262 (a)(4).

263 SECTION 48. Section 3-419 of said chapter 106 is hereby amended by striking out  
264 subsection (e) and by inserting the following new subsections at the end of Section 3-419:--

265 (e) If the signature of a party to an instrument is accompanied by words indicating that  
266 the party guarantees payment or the signer signs the instrument as an accommodation party in  
267 some other manner that does not unambiguously indicate an intention to guarantee collection  
268 rather than payment, the signer is obliged to pay the amount due on the instrument to a person  
269 entitled to enforce the instrument in the same circumstances as the accommodated party would  
270 be obliged, without prior resort to the accommodated party by the person entitled to enforce the  
271 instrument.

272 (f) An accommodation party who pays the instrument is entitled to reimbursement from  
273 the accommodated party and is entitled to enforce the instrument against the accommodated  
274 party. In proper circumstances, an accommodation party may obtain relief that requires the  
275 accommodated party to perform its obligations on the instrument. An accommodated party that  
276 pays the instrument has no right of recourse against, and is not entitled to contribution from, an  
277 accommodation party.

278 SECTION 49. Said chapter 106 is hereby amended by striking out Section 3-602, and  
279 inserting in place thereof the following Section:--

280 SECTION 3-602. PAYMENT.

281 (a) Subject to subsection (e), an instrument is paid to the extent payment is made by or on  
282 behalf of a party obliged to pay the instrument, and to a person entitled to enforce the instrument.

283 (b) Subject to subsection (e), a note is paid to the extent payment is made by or on behalf  
284 of a party obliged to pay the note to a person that formerly was entitled to enforce the note only  
285 if at the time of the payment the party obliged to pay has not received adequate notification that  
286 the note has been transferred and that payment is to be made to the transferee. A notification is  
287 adequate only if it is signed by the transferor or the transferee, reasonably identifies the  
288 transferred note, and provides an address at which payments subsequently are to be made. Upon  
289 request, a transferee shall seasonably furnish reasonable proof that the note has been transferred.  
290 Unless the transferee complies with the request, a payment to the person that formerly was  
291 entitled to enforce the note is effective for purposes of subsection (c) even if the party obliged to  
292 pay the note has received a notification under this subsection.



293 (c) Subject to subsection (e), to the extent of a payment under subsections (a) and (b), the  
294 obligation of the party obliged to pay the instrument is discharged even if payment is made with  
295 knowledge of a claim to the instrument under Section 3-306 by another person.

296 (d) Subject to subsection (e), a transferee, or any party that has acquired rights in the  
297 instrument directly or indirectly from a transferee, including a party that has rights as a holder in  
298 due course, is deemed to have notice of any payment that is made under subsection (b) after the  
299 note is transferred to the transferee but before the party obliged to pay the note receives adequate  
300 notification of the transfer.

301 (e) The obligation of a party to pay an instrument is not discharged under subsections (a)  
302 through (d) if:

303 (1) a claim to the instrument under Section 3-306 is enforceable against the party  
304 receiving payment and (i) payment is made with knowledge by the payor that payment is  
305 prohibited by injunction or similar process of a court of competent jurisdiction, or (ii) in the case  
306 of an instrument other than a cashier's check, teller's check, or certified check, the party making  
307 payment accepted, from the person having a claim to the instrument, indemnity against loss  
308 resulting from refusal to pay the person entitled to enforce the instrument; or

309 (2) the person making payment knows that the instrument is a stolen instrument and pays  
310 a person it knows is in wrongful possession of the instrument.

311 SECTION 50. Section 3-604(a) of said chapter 106 is hereby amended by striking out the  
312 word "writing" in that Section and by inserting in place thereof the following word:-- "record".

313 SECTION 51: Section 3-604(a)(ii) of said chapter 106 is hereby amended by inserting,  
314 after the word “record.” the following words:--

315 The obligation of a party to pay a check is not discharged solely by destruction of the  
316 check in connection with a process in which information is extracted from the check and an  
317 image of the check is made and, subsequently, the information and image are transmitted for  
318 payment.

319 SECTION 52. Section 3-604 of said chapter 106 is further amended by striking  
320 subsection (c).

321 SECTION 53. Said chapter 106 is hereby amended by striking out Section 3-605, and  
322 inserting in place thereof the following Section:--

323 SECTION 3-605. DISCHARGE OF SECONDARY OBLIGORS.

324 (a) If a person entitled to enforce an instrument releases the obligation of a principal  
325 obligor in whole or in part and another party to the instrument is a secondary obligor with respect  
326 to the obligation of that principal obligor, the following rules apply:

327 (1) Any obligations of the principal obligor to the secondary obligor with respect to any  
328 previous payment by the secondary obligor are not affected. Unless the terms of the release  
329 preserve the secondary obligor's recourse, the principal obligor is discharged, to the extent of the  
330 release, from any other duties to the secondary obligor under this Article.

331 (2) Unless the terms of the release provide that the person entitled to enforce the  
332 instrument retains the right to enforce the instrument against the secondary obligor, the  
333 secondary obligor is discharged to the same extent as the principal obligor from any unperformed

334 portion of its obligation on the instrument. If the instrument is a check and the obligation of the  
335 secondary obligor is based on an indorsement of the check, the secondary obligor is discharged  
336 without regard to the language or circumstances of the discharge or other release.

337 (3) If the secondary obligor is not discharged under paragraph (2), the secondary obligor  
338 is discharged to the extent of the value of the consideration for the release and to the extent that  
339 the release would otherwise cause loss to the secondary obligor.

340 (b) If a person entitled to enforce an instrument grants a principal obligor an extension of  
341 the time at which one or more payments are due on the instrument and another party to the  
342 instrument is a secondary obligor with respect to the obligation of that principal obligor, the  
343 following rules apply:

344 (1) Any obligations of the principal obligor to the secondary obligor with respect to any  
345 previous payment by the secondary obligor are not affected. Unless the terms of the extension  
346 preserve the secondary obligor's recourse, the extension correspondingly extends the time for  
347 performance of any other duties owed to the secondary obligor by the principal obligor under  
348 this Article.

349 (2) The secondary obligor is discharged to the extent that the extension would otherwise  
350 cause loss to the secondary obligor.

351 (3) To the extent that the secondary obligor is not discharged under paragraph (2), the  
352 secondary obligor may perform its obligations to a person entitled to enforce the instrument as if  
353 the time for payment had not been extended or, unless the terms of the extension provide that the  
354 person entitled to enforce the instrument retains the right to enforce the instrument against the

355 secondary obligor as if the time for payment had not been extended, treat the time for  
356 performance of its obligations as having been extended correspondingly.

357 (c) If a person entitled to enforce an instrument agrees, with or without consideration, to a  
358 modification of the obligation of a principal obligor other than a complete or partial release or an  
359 extension of the due date and another party to the instrument is a secondary obligor with respect  
360 to the obligation of that principal obligor, the following rules apply:

361 (1) Any obligations of the principal obligor to the secondary obligor with respect to any  
362 previous payment by the secondary obligor are not affected. The modification correspondingly  
363 modifies any other duties owed to the secondary obligor by the principal obligor under this  
364 Article.

365 (2) The secondary obligor is discharged from any unperformed portion of its obligation to  
366 the extent that the modification would otherwise cause loss to the secondary obligor.

367 (3) To the extent that the secondary obligor is not discharged under paragraph (2), the  
368 secondary obligor may satisfy its obligation on the instrument as if the modification had not  
369 occurred or treat its obligation on the instrument as having been modified correspondingly.

370 (d) If the obligation of a principal obligor is secured by an interest in collateral, another  
371 party to the instrument is a secondary obligor with respect to that obligation, and a person  
372 entitled to enforce the instrument impairs the value of the interest in collateral, the obligation of  
373 the secondary obligor is discharged to the extent of the impairment. The value of an interest in  
374 collateral is impaired to the extent the value of the interest is reduced to an amount less than the  
375 amount of the recourse of the secondary obligor or the reduction in value of the interest causes  
376 an increase in the amount by which the amount of the recourse exceeds the value of the interest.

377 For purposes of this subsection, impairing the value of an interest in collateral includes failure to  
378 obtain or maintain perfection or recordation of the interest in collateral; release of collateral  
379 without substitution of collateral of equal value or equivalent reduction of the underlying  
380 obligation; failure to perform a duty to preserve the value of collateral owed, under Article 9 or  
381 other law, to a debtor or other person secondarily liable; and failure to comply with applicable  
382 law in disposing of or otherwise enforcing the interest in collateral.

383 (e) A secondary obligor is not discharged under subsections (a)(3), (b), (c), or (d) unless  
384 the person entitled to enforce the instrument knows that the person is a secondary obligor or has  
385 notice under Section 3-419(c) that the instrument was signed for accommodation.

386 (f) A secondary obligor is not discharged under this section if the secondary obligor  
387 consents to the occurrence or nonoccurrence of the event or conduct that is the basis of the  
388 discharge or the instrument or a separate agreement of the party provides for waiver of discharge  
389 under this section specifically or by general language indicating that parties waive defenses  
390 based on suretyship or impairment of collateral. Unless the circumstances indicate otherwise,  
391 consent by the principal obligor to an act that would lead to a discharge under this section  
392 constitutes consent to that act by the secondary obligor if the secondary obligor controls the  
393 principal obligor or deals with the person entitled to enforce the instrument on behalf of the  
394 principal obligor.

395 (g) A release or extension preserves a secondary obligor's recourse if the terms of the  
396 release or extension provide that:

397 (1) the person entitled to enforce the instrument retains the right to enforce the instrument  
398 against the secondary obligor; and

399 (2) the recourse of the secondary obligor continues as if the release or extension had not  
400 been granted.

401 (h) Except as otherwise provided in subsection (i), a secondary obligor asserting  
402 discharge under this section has the burden of persuasion both with respect to the occurrence of  
403 the acts alleged to harm the secondary obligor and loss or prejudice caused by those acts.

404 (i) If the secondary obligor demonstrates prejudice caused by an impairment of its  
405 recourse and the circumstances of the case indicate that the amount of loss is not reasonably  
406 susceptible of calculation or requires proof of facts that are not ascertainable, it is presumed that  
407 the act impairing recourse caused a loss or impairment equal to the liability of the secondary  
408 obligor on the instrument. In that event, the burden of persuasion as to any lesser amount of the  
409 loss is on the person entitled to enforce the instrument.

410 SECTION 54. Section 4-104(b) of said chapter 106 is hereby amended by striking out the  
411 reference to the definition for “bank” and to the definition for “good faith”.

412 SECTION 55. Section 4-104(c) of said chapter 106 is hereby amended by inserting a  
413 reference to a definition for “record” which appears in “Section 3-103”, and by inserting a  
414 reference to a definition for “remotely-created consumer item” which appears in “Section 3-  
415 103”.

416 SECTION 56. Section 4A-103(a)(1) of said chapter 106 is hereby amended by (i) striking  
417 out the comma following the word “orally” and (ii) striking out the words “electronically, or in a  
418 writing” following the word “orally”, and inserting in place thereof the following:-- “or in a  
419 record”.

420 SECTION 57. Section 4A-201(ii) of said chapter 106 is hereby amended by inserting,  
421 following the words “A security procedure”, the following:-- “may impose an obligation on the  
422 receiving bank or the customer and”

423 SECTION 58. Section 4A-201(ii) of said chapter 106 is further amended by (i) striking  
424 out the word “or” following the word “words” and inserting in place thereof a comma, (ii)  
425 inserting, following the word “numbers”, the following:-- “, symbols, sounds, biometrics”, and  
426 (iii) inserting, following the word “customer”, the following:-- “or requiring a payment order to  
427 be sent from a known email address, IP address, or telephone number”

428 SECTION 59. Section 4A-202(b)(ii) of said chapter 106 is hereby amended by (i)  
429 inserting, following the words “in compliance with”, the following words:-- “the bank’s  
430 obligations under”, (ii) striking out the word “written” following the words “procedure and any”,  
431 (iii) inserting the words “, evidenced by a record” following the words “instruction of the  
432 customer”, (iv) striking out the words “a written” following the word “violates” and inserting in  
433 place thereof the word “an”, and (iv) inserting, following the words “agreement with a  
434 customer”, the following:-- “evidenced by a record”

435 SECTION 60. Section 4A-202(c)(ii) of said chapter 106 is hereby amended by (i) striking  
436 out the word “writing” and inserting in place thereof the following words:-- “a record”, and (ii)  
437 inserting, following the words “in compliance with”, the following words:-- “the bank’s  
438 obligations under”.

439 SECTION 61. Section 4A-203(a)(1) of said chapter 106 is hereby amended by striking  
440 out the word “written” in that subsection and by inserting, after the word “agreement”, the words  
441 “evidenced by a record”.

442 SECTION 62. Section 4-207(a) of said chapter 106 is hereby amended by (i) striking out  
443 the word “and” after the word “warrantor;” in clause (4), (ii) striking out the period at the end of  
444 clause (5) and inserting in place thereof the following:-- “; and” and (iii) inserting the following  
445 new clause:--

446 (6) with respect to any remotely-created consumer item, the person on whose account the  
447 item is drawn authorized the issuance of the item in the amount for which the item is drawn.

448 SECTION 63. Section 4-207 of said chapter 106 is hereby further amended by inserting  
449 the following new subsection at the end of Section 4-207:--

450 (f) A claim for breach of the warranty in subsection (a)(6) is available against a previous  
451 transferor of the item only to the extent that under applicable law (including the applicable  
452 choice-of-law principle) all previous transferors of the item made the warranty in subsection  
453 (a)(6).

454 SECTION 64. Section 4-208(a) of said chapter 106 is hereby amended by (i) striking out  
455 the word “and” after the word “altered;” in clause (2), (ii) striking out the period at the end of  
456 clause (3), and inserting in place thereof the following:-- “; and” and (iii) inserting the following  
457 new clause:--

458 (4) with respect to any remotely-created consumer item, the person on whose account the  
459 item is drawn authorized the issuance of the item in the amount for which the item is drawn.

460 SECTION 65. Section 4-208 of said chapter 106 is hereby further amended by inserting  
461 the following new subsection at the end of Section 4-208:--



462 (g) A claim for breach of the warranty in subsection (a)(4) is available against a previous  
463 transferor of the item only to the extent that under applicable law (including the applicable  
464 choice-of-law principle) all previous transferors of the item made the warranty in subsection  
465 (a)(4).

466 SECTION 66. Section 4-212(a) of said chapter 106 is hereby amended by striking out the  
467 word “written” in that Section and by inserting in place thereof the following words:-- “record  
468 providing”.

469 SECTION 67. Section 4-301(a) of said chapter 106 is hereby amended by striking out the  
470 word “or” in clause (1), by striking out clause (2) and by inserting the following new clauses at  
471 the end of Section 4-301(a):--

472 (2) returns an image of the item, if the party to which the return is made has entered into  
473 an agreement to accept the an image as a return of the item; and the image is returned in  
474 accordance with that agreement; or

475 (3) sends a record providing notice of dishonor or nonpayment if the item is unavailable  
476 for return.

477 SECTION 68. Section 4-403(b) of said chapter 106 is hereby amended by striking out the  
478 word “writing” wherever it appears in that Section and by inserting in each place thereof the  
479 following word:-- “a record”.

480 SECTION 69. Section 4A-207(c)(2) of said chapter 106 is hereby amended by (i) striking  
481 out the word “writing” in that subsection and inserting in place thereof the word “record”.

482 SECTION 70. Section 4A-208(b)(2) of said chapter 106 is hereby amended by striking  
483 out the word “writing” in that Section and by inserting in place thereof the word “record”.

484 SECTION 71. Section 4A-210(a) of said chapter 106 is hereby amended by striking out  
485 the word “, electronically,” in that Section, and by striking out the word “writing” in that Section  
486 and inserting in place thereof the following words:-- “a record”.

487 SECTION 72. Section 4A-211(a) of said chapter 106 is hereby amended by striking out  
488 the word “, electronically,” in that Section, and by striking out the word “writing” in that Section  
489 and inserting in place thereof the following words:-- “a record”.

490 SECTION 73. Section 4A-305(c) of said chapter 106 is hereby amended by striking out  
491 the word “written”, and by inserting, following the word “bank”, the following words:--“,  
492 evidenced by a record”.

493 SECTION 74. Section 4A-305(d) of said chapter 106 is hereby amended by striking out  
494 the word “written”, and by inserting, following the words “of the receiving bank,”, the following  
495 words:-- “evidenced by a record,”.

496 SECTION 75. Section 5-104 of said chapter 106 is hereby amended by inserting the word  
497 “signed” before the word “record”, and by striking out the words “and is authenticated (i) by a  
498 signature or (ii) in accordance with the agreement of the parties or the standard practice referred  
499 to in Section 5-108(e)”.

500 SECTION 76. Section 5-116(a) of said chapter 106 is hereby amended by striking out the  
501 words “or otherwise authenticated” in that Section, and by striking out the words “in the manner  
502 provided in Section 5-104” in that Section.

503 SECTION 77. Section 5-116 of said chapter 106 is hereby amended by inserting the word  
504 “(c)” following the words “undertaking was issued.” in subsection (b), by starting a new  
505 paragraph with the sentence now beginning with a (c) so that the new paragraph will be  
506 subsection (c), by striking out the word “this” following the words “located under” in new  
507 subsection (c), and by inserting the word “(d)” at the end of the new subsection (c)

508 SECTION 78. Section 5-116 of said chapter 106 is hereby further amended by inserting  
509 the following new subsection following the new subsection (c):--

510 (d) A branch of a bank is considered to be located at the address indicated in the branch’s  
511 undertaking. If more than one address is indicated, the branch is considered to be located at the  
512 address from which the undertaking was issued.

513 SECTION 79. Section 5-116 of said chapter 106 is hereby further amended by striking  
514 out the word “(c)” from that Section and by inserting in place thereof the word “(e)”, by striking  
515 out the word “(d)” from that Section and by inserting in place thereof the word “(f)”, and by  
516 striking out the word “(e)” from that Section and by inserting in place thereof the word “(g)”

517 SECTION 80. Section 7-102(a)(10) of said chapter 106 is hereby amended by striking  
518 out the words ““Record” means information that is inscribed on a tangible medium or that is  
519 stored in an electronic or other medium and is retrievable in perceivable form.” and by inserting  
520 in place thereof the word “[Reserved.]”

521 SECTION 81. Section 7-102(a)(11) of said chapter 106 is hereby amended by striking  
522 out the words ““Sign” means, with present intent to authenticate or adopt a record: (A) to  
523 execute or adopt a tangible symbol; or (B) to attach to or logically associate with the record an  
524 electronic sound, symbol, or process.” and by inserting in place thereof the word “[Reserved.]”.

525 SECTION 82. Section 7-106(b) of said chapter 106 is hereby amended by (i) striking out  
526 the words “is deemed to have” in that Section and by inserting in place thereof the word “has”,  
527 (ii) striking out the word “assigned” in that section and by inserting in place thereof the word  
528 “transferred”, (iii) striking out the word “such” before the words “a manner”, and (iv) striking  
529 out the word “assignee” in subsection (4) of that section and by inserting in place thereof the  
530 word “transferee”.

531 SECTION 83. Section 7-106 of said chapter 106 is further hereby amended by inserting,  
532 following subsection (b), the following new subsections:--

533 (c) A system satisfies subsection (a), and a person has control of an electronic document  
534 of title, if an authoritative electronic copy of the document, a record attached to or logically  
535 associated with the electronic copy, or a system in which the electronic copy is recorded:

536 (1) enables the person readily to identify each electronic copy as either an authoritative  
537 copy or a nonauthoritative copy;

538 (2) enables the person readily to identify itself in any way, including by name, identifying  
539 number, cryptographic key, office, or account number, as the person to which each authoritative  
540 electronic copy was issued or transferred; and

541 (3) gives the person exclusive power, subject to subsection (d), to:

542 (A) prevent others from adding or changing the person to which each authoritative  
543 electronic copy has been issued or transferred; and

544 (B) transfer control of each authoritative electronic copy.

545 (d) Subject to subsection (e), a power is exclusive under subsection (c)(3)(A) and (B),  
546 even if:

547 (1) the authoritative electronic copy, a record attached to or logically associated with the  
548 authoritative electronic copy, or a system in which the authoritative electronic copy is recorded  
549 limits the use of the document of title or has a protocol that is programmed to cause a change,  
550 including a transfer or loss of control; or

551 (2) the power is shared with another person.

552 (e) A power of a person is not shared with another person under subsection (d)(2) and the  
553 person's power is not exclusive if:

554 (1) the person can exercise the power only if the power also is exercised by the other  
555 person; and

556 (2) the other person:

557 (A) can exercise the power without exercise of the power by the person; or

558 (B) is the transferor to the person of an interest in the document of title.

559 (f) If a person has the powers specified in subsection (c)(3)(A) and (B), the powers are  
560 presumed to be exclusive.

561 (g) A person has control of an electronic document of title if another person, other than  
562 the transferor to the person of an interest in the document:

563 (1) has control of the document and acknowledges that it has control on behalf of the  
564 person; or

565 (2) obtains control of the document after having acknowledged that it will obtain control  
566 of the document on behalf of the person.

567 (h) A person that has control under this section is not required to acknowledge that it has  
568 control on behalf of another person.

569 (i) If a person acknowledges that it has or will obtain control on behalf of another person,  
570 unless the person otherwise agrees or law other than this article or Article 9 otherwise provides,  
571 the person does not owe any duty to the other person and is not required to confirm the  
572 acknowledgment to any other person.

573 SECTION 84. Section 8-102(a)(6)(i) of said chapter 106 is hereby amended by striking  
574 out the word “writing” in that Section and by inserting in place thereof the word “record”.

575 SECTION 85. Section 8-102 of said chapter 106 is hereby amended by striking  
576 subsection (b) and by inserting in place thereof the following new section:

577 (b) The following definitions in this Article and other Articles apply to this Article:

578 SECTION 86. Section 8-102(a) of said chapter 106 is hereby further amended by  
579 inserting the following definitions in alphabetical order:

580 “Controllable account”. Section 9-102.

581 “Controllable electronic record”. Section 12-102.

582 “Controllable payment intangible”. Section 9-102.

583 SECTION 87. Section 8-103 of said chapter 106 is hereby amended by inserting, at the  
584 end of Section 8-103, the following new section:--

585 (h) A controllable account, controllable electronic record, or controllable payment  
586 intangible is not a financial asset unless Section 8-102(a)(9)(iii) applies.

587 SECTION 88. Section 8-106(d)(3) of said chapter 106 is hereby amended by striking out  
588 the words “person has control of the security entitlement on behalf of the purchaser or, having  
589 previously acquired control of the security entitlement, acknowledges that it has control on  
590 behalf of the purchaser.” and by inserting in place thereof the following words and new clauses:-

591 -

592 “person, other than the transferor to the purchaser of an interest in the security  
593 entitlement:

594 (A) has control of the security entitlement and acknowledges that it has control on behalf  
595 of the purchaser; or

596 (B) obtains control of the security entitlement after having acknowledged that it will  
597 obtain control of the security entitlement on behalf of the purchaser”

598 SECTION 89. Section 8-106 of said chapter 106 is further hereby amended by inserting,  
599 following subsection (g), the following new subsections:--

600 (h) A person that has control under this section is not required to acknowledge that it has  
601 control on behalf of a purchaser.

602 (i) If a person acknowledges that it has or will obtain control on behalf of a purchaser,  
603 unless the person otherwise agrees or law other than this Article or Article 9 otherwise provides,  
604 the person does not owe any duty to the purchaser and is not required to confirm the  
605 acknowledgment to any other person.

606 SECTION 90. Section 8-110 of said chapter 106 is hereby amended by inserting, at the  
607 end of subsection (f), the following new subsection:--

608 (g) The local law of the issuer’s jurisdiction or the securities intermediary’s jurisdiction  
609 governs a matter or transaction specified in subsection (a) or (b) even if the matter or transaction  
610 does not bear any relation to the jurisdiction.

611 SECTION 91. Section 8-303(b) of said chapter 106 is hereby amended by striking out the  
612 words “In addition to acquiring the rights of a purchaser, a” and by inserting in place thereof the  
613 word “A”.

614 SECTION 92. Section 9-102(a) of said chapter 106 is hereby amended by inserting, after  
615 the words “account for,” the following:-- “ “account statement”, “account to”, “commodity  
616 account” in paragraph (14), “customer’s account”, “deposit account” in paragraph (29), “on  
617 account of”, and “statement of account”,.

618 SECTION 93. Section 9-102(a)(2) of said chapter 106 is further amended by (i) inserting  
619 the word “controllable accounts and” after the words “The term includes”, (ii) striking out the  
620 words “rights to payment evidenced by chattel paper or an instrument” and inserting in place  
621 thereof the words “chattel paper” in clause (i), after the word “(i)”, (iii) striking the word “or”  
622 after clause (v), and (iv) inserting, at the end of the section, the following: -- “, or (vii) rights to  
623 payment evidenced by an instrument”.

624 SECTION 94. Section 9-102(a)(3) of said chapter 106 is hereby amended by inserting the  
625 words “negotiable” after the words “even if the”, by striking out the words “constitutes part of”,  
626 after the word “instrument” and inserting in place thereof the following: -- “evidences”.



627 SECTION 95. Section 9-102(a)(4) of said chapter 106 is hereby amended by striking out  
628 the words “authenticated”, after the word “(A)” and inserting in place thereof the following: --  
629 “signed”.

630 SECTION 96. Section 9-102(a)(7) of said chapter 106 is hereby amended by striking out  
631 the words “”Authenticate” means: (A) to sign; or (B) with present intent to adopt or accept a  
632 record, to attach to or logically associate with the record and electronic sound, symbol, or  
633 process.” and by inserting in place thereof the word “[Reserved.]”.

634 SECTION 97. Said chapter 106 is hereby amended by inserting following Section 9-  
635 102(a)(7), the following new definitions:

636 (7A) “Assignee”, except as used in “assignee for benefit of creditors”, means a person (i)  
637 in whose favor a security interest that secures an obligation is created or provided for under a  
638 security agreement, whether or not the obligation is outstanding or (ii) to which an account,  
639 chattel paper, payment intangible, or promissory note has been sold. The term includes a person  
640 to which a security interest has been transferred by a secured party.

641 (7B) “Assignor” means a person that (i) under a security agreement creates or provides  
642 for a security interest that secures an obligation or (ii) sells an account, chattel paper, payment  
643 intangible, or promissory note. The term includes a secured party that has transferred a security  
644 interest to another person.

645 SECTION 98. Said chapter 106 is hereby amended by striking out Section 9-102(a)(11)  
646 and by inserting in place thereof the following new definition:--

647 (11) “Chattel paper” means:

648 (A) a right to payment of a monetary obligation secured by specific goods, if the right to  
649 payment and security agreement are evidenced by a record; or

650 (B) a right to payment of a monetary obligation owed by a lessee under a lease agreement  
651 with respect to specific goods and a monetary obligation owed by the lessee in connection with  
652 the transaction giving rise to the lease, if:

653 (i) the right to payment and lease agreement are evidenced by a record; and

654 (ii) the predominant purpose of the transaction giving rise to the lease was to give the  
655 lessee the right to possession and use of the goods.

656 The term does not include a right to payment arising out of a charter or other contract  
657 involving the use or hire of a vessel or a right to payment arising out of the use of a credit or  
658 charge card or information contained on or for use with the card.

659 SECTION 99. Section 9-102(a) of said chapter 106 is hereby amended by inserting the  
660 following new definitions following Section 9-102(a)(27):--

661 (27A) "Controllable account" means an account evidenced by a controllable electronic  
662 record that provides that the account debtor undertakes to pay the person that has control under  
663 Section 12-105 of the controllable electronic record.

664 (27B) "Controllable payment intangible" means a payment intangible evidenced by a  
665 controllable electronic record that provides that the account debtor undertakes to pay the person  
666 that has control under Section 12-105 of the controllable electronic record.

667 SECTION 100. Said chapter 106 is hereby amended by striking out Section 9-102(a)(31)  
668 and by inserting in place thereof the following new definitions:--

669 (31) [Reserved.]

670 (31A) “Electronic money” means money in an electronic form.

671 SECTION 101. Section 9-102(a)(42) of said chapter 106 is hereby amended by inserting,  
672 after the word “includes”, the following:-- “controllable electronic records,”.

673 SECTION 102. Section 9-102(a)(47) of said chapter 106 is hereby amended by striking  
674 out the word “or”, after the word “credit,”, and by inserting after the words “with the card”. the  
675 following:-- “, or (iv) writings that evidence chattel paper”.

676 SECTION 103. Section 9-102(a) of said chapter 106 is hereby amended by inserting the  
677 following new definition following Section 9-102(a)(54):

678 (54A) “Money” has the meaning in Section 1-201(b)(24), but does not include (i) a  
679 deposit account or (ii) money in an electronic form that cannot be subjected to control under  
680 Section 9-105A.

681 SECTION 104. Section 9-102(a)(61) of said chapter 106 is hereby amended by inserting  
682 at the end of that section the following:-- “The term includes a controllable payment intangible.”

683 SECTION 105. Section 9-102(a)(66) of said chapter 106 is hereby amended by striking  
684 out the word “authenticated”, after the word “record”, and by inserting in place thereof the  
685 following:-- “signed”.

686 SECTION 106. Said chapter 106 is hereby amended by striking out Section 9-102(a)(75)  
687 and by inserting in place thereof the following new definition:--

688 (75) [Reserved.]

689 SECTION 107. Said chapter 106 is hereby amended by striking out Section 9-102(a)(79)  
690 and by inserting in place thereof the following new definitions:--

691 (79) [Reserved.]

692 (79A) “Tangible money” means money in a tangible form.

693 SECTION 108. Section 9-102(b) of said chapter 106 is hereby amended by inserting the  
694 following definitional cross-references in alphabetical order:--

695 “Controllable electronic record”. Section 12-102.

696 “Protected purchaser”. Section 8-303.

697 “Qualifying purchaser”. Section 12-102.

698 SECTION 109. Section 9-104(a) of said chapter 106 is hereby amended by (i) striking  
699 out the words “an authenticated”, after the word “in” in clause (2) and inserting in place thereof  
700 the words “a signed”, (ii) striking the word “or” in clause (2) after the word “debtor;” (iii)  
701 striking the period after the word “account”, and (iv) inserting the word “; or” after the word  
702 “account”.

703 SECTION 110. Section 9-104(a) of said chapter 106 is further amended by inserting the  
704 following new clause:

705 (4) another person, other than the debtor:

706 (A) has control of the deposit account and acknowledges that it has control on behalf of  
707 the secured party; or

708 (B) obtains control of the deposit account after having acknowledged that it will obtain  
709 control of the deposit account on behalf of the secured party.

710 SECTION 111. Said chapter 106 is hereby amended by striking out Section 9-105 and by  
711 inserting in place thereof the following new section:--

712 Section 9-105. Control of Electronic Copy of Record Evidencing Chattel Paper.

713 (a) General rule: control of electronic copy of record evidencing chattel paper. A  
714 purchaser has control of an authoritative electronic copy of a record evidencing chattel paper if a  
715 system employed for evidencing the assignment of interests in the chattel paper reliably  
716 establishes the purchaser as the person to which the authoritative electronic copy was assigned.

717 (b) Single authoritative copy. A system satisfies subsection (a) if the record or records  
718 evidencing the chattel paper are created, stored, and assigned in a manner that:

719 (1) a single authoritative copy of the record or records exists which is unique,  
720 identifiable, and, except as otherwise provided in paragraphs (4), (5), and (6), unalterable;

721 (2) the authoritative copy identifies the purchaser as the assignee of the record or records;

722 (3) the authoritative copy is communicated to and maintained by the purchaser or its  
723 designated custodian;

724 (4) copies or amendments that add or change an identified assignee of the authoritative  
725 copy can be made only with the consent of the purchaser;

726 (5) each copy of the authoritative copy and any copy of a copy is readily identifiable as a  
727 copy that is not the authoritative copy; and

728 (6) any amendment of the authoritative copy is readily identifiable as authorized or  
729 unauthorized.

730 (c) One or more authoritative copies. A system satisfies subsection (a), and a purchaser  
731 has control of an authoritative electronic copy of a record evidencing chattel paper, if the  
732 electronic copy, a record attached to or logically associated with the electronic copy, or a system  
733 in which the electronic copy is recorded:

734 (1) enables the purchaser readily to identify each electronic copy as either an  
735 authoritative copy or a nonauthoritative copy;

736 (2) enables the purchaser readily to identify itself in any way, including by name,  
737 identifying number, cryptographic key, office, or account number, as the assignee of the  
738 authoritative electronic copy; and

739 (3) gives the purchaser exclusive power, subject to subsection (d), to:

740 (A) prevent others from adding or changing an identified assignee of the authoritative  
741 electronic copy; and

742 (B) transfer control of the authoritative electronic copy.

743 (d) Meaning of exclusive. Subject to subsection (e), a power is exclusive under  
744 subsection (c)(3)(A) and (B), even if:

745 (1) the authoritative electronic copy, a record attached to or logically associated with the  
746 authoritative electronic copy, or a system in which the authoritative electronic copy is recorded  
747 limits the use of the authoritative electronic copy or has a protocol programmed to cause a  
748 change, including a transfer or loss of control; or

749 (2) the power is shared with another person.

750 (e) When power not shared with another person. A power of a purchaser is not shared  
751 with another person under subsection (d)(2) and the purchaser's power is not exclusive if:

752 (1) the purchaser can exercise the power only if the power also is exercised by the other  
753 person; and

754 (2) the other person:

755 (A) can exercise the power without exercise of the power by the purchaser; or

756 (B) is the transferor to the purchaser of an interest in the chattel paper.

757 (f) Presumption of exclusivity of certain powers. If a purchaser has the powers specified  
758 in subsection (c)(3)(A) and (B), the powers are presumed to be exclusive.

759 (g) Obtaining control through another person. A purchaser has control of an authoritative  
760 electronic copy of a record evidencing chattel paper if another person, other than the transferor to  
761 the purchaser of an interest in the chattel paper:

762 (1) has control of the authoritative electronic copy and acknowledges that it has control  
763 on behalf of the purchaser; or

764 (2) obtains control of the authoritative electronic copy after having acknowledged that it  
765 will obtain control of the electronic copy on behalf of the purchaser.

766 SECTION 112. Section 9-105A of said chapter 106 is hereby amended by inserting the  
767 following new section:-

768 Section 9-105A. Control of Electronic Money.

769 (a) General rule: control of electronic money. A person has control of electronic money  
770 if:

771 (1) the electronic money, a record attached to or logically associated with the electronic  
772 money, or a system in which the electronic money is recorded gives the person:

773 (A) power to avail itself of substantially all the benefit from the electronic money; and

774 (B) exclusive power, subject to subsection (b), to:

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

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

779 (2) the electronic money, a record attached to or logically associated with the electronic  
780 money, or a system in which the electronic money is recorded enables the person readily to  
781 identify itself in any way, including by name, identifying number, cryptographic key, office, or  
782 account number, as having the powers under paragraph (1).

783 (b) Meaning of exclusive. Subject to subsection (c) a power is exclusive under subsection

784 (a)(1)(B)(i) and (ii) even if:

785 (1) the electronic money, a record attached to or logically associated with the electronic  
786 money, or a system in which the electronic money is recorded limits the use of the electronic

787 money or has a protocol programmed to cause a change, including a transfer or loss of control; or



788 (2) the power is shared with another person.

789 (c) When power not shared with another person. A power of a person is not shared with  
790 another person under subsection (b)(2) and the person's power is not exclusive if:

791 (1) the person can exercise the power only if the power also is exercised by the other  
792 person; and

793 (2) the other person:

794 (A) can exercise the power without exercise of the power by the person; or

795 (B) is the transferor to the person of an interest in the electronic money.

796 (d) Presumption of exclusivity of certain powers. If a person has the powers specified in  
797 subsection (a)(1)(B)(i) and (ii), the powers are presumed to be exclusive.

798 (e) Control through another person. A person has control of electronic money if another  
799 person, other than the transferor to the person of an interest in the electronic money:

800 (1) has control of the electronic money and acknowledges that it has control on behalf of  
801 the person; or

802 (2) obtains control of the electronic money after having acknowledged that it will obtain  
803 control of the electronic money on behalf of the person.

804 SECTION 113. Section 9-107 of said chapter 106 is further amended by inserting the  
805 following new sections:

806 Section 9-107A. Control of Controllable Electronic Record, Controllable Account, or  
807 Controllable Payment Intangible.

808 (a) Control under Section 12-105. A secured party has control of a controllable electronic  
809 record as provided in Section 12-105.

810 (b) Control of controllable account and controllable payment intangible. A secured party  
811 has control of a controllable account or controllable payment intangible if the secured party has  
812 control of the controllable electronic record that evidences the controllable account or  
813 controllable payment intangible.

814 Section 9-107B. No Requirement to Acknowledge or Confirm; No Duties.

815 (a) No requirement to acknowledge. A person that has control under Section 9-104, 9-  
816 105, or 9-105A is not required to acknowledge that it has control on behalf of another person.

817 (b) No duties or confirmation. If a person acknowledges that it has or will obtain control  
818 on behalf of another person, unless the person otherwise agrees or law other than this article  
819 otherwise provides, the person does not owe any duty to the other person and is not required to  
820 confirm the acknowledgment to any other person.

821 SECTION 114. Section 9-203(b)(3) of said chapter 106 is hereby amended by (i) striking  
822 out the word “authenticated”, in subsection (A) and inserting in place thereof the word “signed”  
823 and (ii) striking the word “or”, in subsection 3(C).

824 SECTION 115. Section 9-203(b)(3) of said chapter 106 is further amended by striking  
825 out subsection (D) and by inserting at the end of subsection (C) the following new sections:--

826 (D) the collateral is controllable accounts, controllable electronic records, controllable  
827 payment intangibles, deposit accounts, electronic documents, electronic money, investment  
828 property, or letter-of-credit rights, and the secured party has control under Section 7-106, 9-104,  
829 9-105A, 9-106, or 9-107A pursuant to the debtor's security agreement; or

830 (E) the collateral is chattel paper and the secured party has possession and control under  
831 Section 9-314A pursuant to the debtor's security agreement.

832 SECTION 116. Section 9-204(b) of said chapter 106 is hereby amended by striking out  
833 the word "A" before the word "security", and by inserting in place thereof the following:--  
834 "Subject to Subsection (b.1), a".

835 SECTION 117. Section 9-204 of said chapter 106 is hereby further amended by inserting  
836 at the end of subsection (b) the following new subsection:--

837 (b.1) Limitation on subsection (b). Subsection (b) does not prevent a security interest  
838 from attaching:

839 (1) to consumer goods as proceeds under Section 9-315(a) or commingled goods under  
840 Section 9 336(c);

841 (2) to a commercial tort claim as proceeds under Section 9-315(a); or

842 (3) under an after-acquired property clause to property that is proceeds of consumer  
843 goods or a commercial tort claim.

844 SECTION 118. Section 9-207 of said chapter 106 is hereby amended by striking out  
845 subsection (c) and by inserting in place thereof the following new subsection:--

846 (c) Duties and rights when secured party in possession or control. Except as otherwise  
847 provided in subsection (d), a secured party having possession of collateral or control of collateral  
848 under Section 7-106, 9-104, 9-105, 9-105A, 9-106, or 9-107, or 9-107A:

849 SECTION 119. Section 9-208(b) of said chapter 106 is hereby amended by striking out  
850 the words “an authenticated” after the word “receiving” in and by inserting in place thereof the  
851 following:-- “a signed”.

852 SECTION 120. Section 9-208(b)(1) of said chapter 106 is hereby amended by striking  
853 out the words “an authenticated statement” and by inserting in place thereof the following:--“a  
854 signed record”.

855 SECTION 121. Section 9-208(b) of said chapter 106 is hereby amended by striking out  
856 clauses (3) and (6) by inserting in place of each thereof the following new clauses:--

857 (3) a secured party, other than a buyer, having control under Section 9-105 of an  
858 authoritative electronic copy of a record evidencing chattel paper shall transfer control of the  
859 electronic copy to the debtor or a person designated by the debtor;

860 (6) a secured party having control under Section 7-106 of an authoritative electronic copy  
861 of an electronic document shall transfer control of the electronic copy to the debtor or a person  
862 designated by the debtor;

863 (7) a secured party having control under Section 9-105A of electronic money shall  
864 transfer control of the electronic money to the debtor or a person designated by the debtor; and

865 (8) a secured party having control under Section 12-105 of a controllable electronic  
866 record, other than a buyer of a controllable account or controllable payment intangible evidenced

867 by the controllable electronic record, shall transfer control of the controllable electronic record to  
868 the debtor or a person designated by the debtor.

869 SECTION 122. Section 9-208(b)(4) of said chapter 106 is hereby amended by striking  
870 the words “an authenticated” after the word “maintained” and by inserting in place thereof the  
871 following:--“a signed”.

872 SECTION 123. Section 9-208(b)(5) of said chapter 106 is hereby amended by striking  
873 the words “an authenticated” after the word “maintained”, by inserting in place thereof the  
874 following:--“a signed”, and by striking the word “and” at the end of such subsection.

875 SECTION 124. Section 9-209 of said chapter 106 is hereby amended by striking out  
876 subsection (b) and inserting in place thereof the following new subsection:--

877 (b) Duties of secured party after receiving demand from debtor. Within 10 days after  
878 receiving a signed demand by the debtor, a secured party shall send to an account debtor that has  
879 received notification under Section 9-406(a) or 12-106(b) of an assignment to the secured party  
880 as assignee a signed record that releases the account debtor from any further obligation to the  
881 secured party.

882 SECTION 125. Section 9-210(a) of said chapter 106 is hereby amended by striking out  
883 the word “authenticated” wherever the word appears in that Section and by inserting in place  
884 thereof the word “signed”.

885 SECTION 126. Section 9-210(b)(2) of said chapter 106 is hereby amended by striking  
886 out the word “authenticating” in that Section and by inserting in place thereof the word  
887 “signing”.

888 SECTION 127. Sections 9-210(c), (d), and (e) of said chapter 106 is hereby amended by  
889 striking out the words “an authenticated” in such Sections and by inserting in place thereof the  
890 words “a signed”.

891 SECTION 128. Section 9-301 of said chapter 106 is hereby amended by striking out the  
892 word “9-306”, after the word “through” and by inserting in place thereof the word “9-306B”.

893 SECTION 129. Section 9-301 of said chapter 106 is hereby amended by striking out  
894 subsection (3) and inserting in place thereof the following new subsection:--

895 (3) Except as otherwise provided in paragraph (4), while negotiable tangible documents,  
896 goods, instruments, or tangible money is located in a jurisdiction, the local law of that  
897 jurisdiction governs:

898 (A) perfection of a security interest in the goods by filing a fixture filing;

899 (B) perfection of a security interest in timber to be cut; and

900 (C) the effect of perfection or nonperfection and the priority of a nonpossessory security  
901 interest in the collateral.

902 SECTION 130. Section 9-304 of said chapter 106 is hereby amended by deleting the  
903 period at the end of subsection (a), and by inserting, at the end of subsection (a), the following:--  
904 “ even if the transaction does not bear any relation to the bank’s jurisdiction.”

905 SECTION 131. Section 9-305 of said chapter 106 is hereby amended by inserting, at the  
906 end of subsection (4), the following new subsection:--

907 (5) Paragraphs (2), (3), and (4) apply even if the transaction does not bear any relation to  
908 the jurisdiction.

909 SECTION 132. Said chapter 106 is hereby amended by inserting after Section 9-306 the  
910 following new sections:

911 Section 9-306A. Law Governing Perfection and Priority of Security Interests in Chattel  
912 Paper.

913 (a) Chattel paper evidenced by authoritative electronic copy. Except as provided in  
914 subsection (d), if chattel paper is evidenced only by an authoritative electronic copy of the chattel  
915 paper or is evidenced by an authoritative electronic copy and an authoritative tangible copy, the  
916 local law of the chattel paper's jurisdiction governs perfection, the effect of perfection or  
917 nonperfection, and the priority of a security interest in the chattel paper, even if the transaction  
918 does not bear any relation to the chattel paper's jurisdiction.

919 (b) Chattel paper's jurisdiction. The following rules determine the chattel paper's  
920 jurisdiction under this section:

921 (1) If the authoritative electronic copy of the record evidencing chattel paper, or a record  
922 attached to or logically associated with the electronic copy and readily available for review,  
923 expressly provides that a particular jurisdiction is the chattel paper's jurisdiction for purposes of  
924 this part, this article, or this chapter, that jurisdiction is the chattel paper's jurisdiction.

925 (2) If paragraph (1) does not apply and the rules of the system in which the authoritative  
926 electronic copy is recorded are readily available for review and expressly provide that a

927 particular jurisdiction is the chattel paper's jurisdiction for purposes of this part, this article, or  
928 this chapter, that jurisdiction is the chattel paper's jurisdiction.

929 (3) If paragraphs (1) and (2) do not apply and the authoritative electronic copy, or a  
930 record attached to or logically associated with the electronic copy and readily available for  
931 review, expressly provides that the chattel paper is governed by the law of a particular  
932 jurisdiction, that jurisdiction is the chattel paper's jurisdiction.

933 (4) If paragraphs (1), (2), and (3) do not apply and the rules of the system in which the  
934 authoritative electronic copy is recorded are readily available for review and expressly provide  
935 that the chattel paper or the system is governed by the law of a particular jurisdiction, that  
936 jurisdiction is the chattel paper's jurisdiction.

937 (5) If paragraphs (1) through (4) do not apply, the chattel paper's jurisdiction is the  
938 jurisdiction in which the debtor is located.

939 (c) Chattel paper evidenced by authoritative tangible copy. If an authoritative tangible  
940 copy of a record evidences chattel paper and the chattel paper is not evidenced by an  
941 authoritative electronic copy, while the authoritative tangible copy of the record evidencing  
942 chattel paper is located in a jurisdiction, the local law of that jurisdiction governs:

943 (1) perfection of a security interest in the chattel paper by possession under Section 9-  
944 314A; and

945 (2) the effect of perfection or nonperfection and the priority of a security interest in the  
946 chattel paper.



947 (d) When perfection governed by law of jurisdiction where debtor located. The local law  
948 of the jurisdiction in which the debtor is located governs perfection of a security interest in  
949 chattel paper by filing.

950 Section 9-306B. Law Governing Perfection and Priority of Security Interests in  
951 Controllable Accounts, Controllable Electronic Records, and Controllable Payment Intangibles.

952 (a) Governing law: general rules. Except as provided in subsection (b), the local law of  
953 the controllable electronic record's jurisdiction specified in Section 12-107(c) and (d) governs  
954 perfection, the effect of perfection or nonperfection, and the priority of a security interest in a  
955 controllable electronic record and a security interest in a controllable account or controllable  
956 payment intangible evidenced by the controllable electronic record.

957 (b) When perfection governed by law of jurisdiction where debtor located. The local law  
958 of the jurisdiction in which the debtor is located governs:

959 (1) perfection of a security interest in a controllable account, controllable electronic  
960 record, or controllable payment intangible by filing; and

961 (2) automatic perfection of a security interest in a controllable payment intangible created  
962 by a sale of the controllable payment intangible.

963 SECTION 133. Section 9-310(b) of said chapter 106 is hereby amended by striking out  
964 subsection (8) and inserting in place thereof the following new sections:--

965 (8) in controllable accounts, controllable electronic records, controllable payment  
966 intangibles, deposit accounts, electronic documents, investment property, or letter-of-credit  
967 rights which is perfected by control under Section 9-314;

968 (8.1) in chattel paper which is perfected by possession and control under Section 9-314A;

969 SECTION 134. Said chapter 106 is hereby amended by striking out Section 9-312 and  
970 inserting in place thereof the following new section:--

971 Section 9-312. Perfection of Security Interests in Chattel Paper, Controllable Accounts,  
972 Controllable Electronic Records, Controllable Payment Intangibles, Deposit Accounts,  
973 Negotiable Documents, Goods Covered by Documents, Instruments, Investment Property,  
974 Letter-of-Credit Rights, and Money; Perfection by Permissive Filing; Temporary Perfection  
975 Without Filing or Transfer of Possession.

976 (a) Perfection by filing permitted. A security interest in chattel paper, controllable  
977 accounts, controllable electronic records, controllable payment intangibles, instruments,  
978 investment property, or negotiable documents may be perfected by filing.

979 (b) Control or possession of certain collateral. Except as otherwise provided in Section 9-  
980 315(c) and (d) for proceeds:

981 (1) a security interest in a deposit account may be perfected only by control under Section  
982 9-314;

983 (2) except as otherwise provided in Section 9-308(d), a security interest in a letter-of-  
984 credit right may be perfected only by control under Section 9-314;

985 (3) a security interest in tangible money may be perfected only by the secured party's  
986 taking possession under Section 9-313; and

987 (4) a security interest in electronic money may be perfected only by control under Section  
988 9-314.

989 (c) Goods covered by negotiable document. While goods are in the possession of a bailee  
990 that has issued a negotiable document covering the goods:

991 (1) a security interest in the goods may be perfected by perfecting a security interest in  
992 the document; and

993 (2) a security interest perfected in the document has priority over any security interest  
994 that becomes perfected in the goods by another method during that time.

995 (d) Goods covered by nonnegotiable document. While goods are in the possession of a  
996 bailee that has issued a nonnegotiable document covering the goods, a security interest in the  
997 goods may be perfected by:

998 (1) issuance of a document in the name of the secured party;

999 (2) the bailee's receipt of notification of the secured party's interest; or

1000 (3) filing as to the goods.

1001 (e) Temporary perfection: new value. A security interest in certificated securities,  
1002 negotiable documents, or instruments is perfected without filing or the taking of possession or  
1003 control for a period of 20 days from the time it attaches to the extent that it arises for new value  
1004 given under a signed security agreement.

1005 SECTION 135. Section 9-313 of said chapter 106 is hereby amended by striking out  
1006 subsection (a) and inserting in place thereof the following new subsection:--

1007 (a) Perfection by possession or delivery. Except as otherwise provided in subsection (b),  
1008 a secured party may perfect a security interest in goods, instruments, negotiable tangible

1009 documents, or tangible money by taking possession of the collateral. A secured party may perfect  
1010 a security interest in certificated securities by taking delivery of the certificated securities under  
1011 Section 8-301.

1012 SECTION 136. Section 9-313(c) of said chapter 106 is hereby amended by striking out  
1013 clauses (1) and (2) and by inserting in place thereof the following new clauses:--

1014 (1) the person in possession signs a record acknowledging that it holds possession of the  
1015 collateral for the secured party's benefit; or

1016 (2) the person takes possession of the collateral after having signed a record  
1017 acknowledging that it will hold possession of the collateral for the secured party's benefit.

1018 SECTION 137. Section 9-313(d) of said chapter 106 is hereby amended by striking out  
1019 the word "no" and by inserting in place thereof the word "not".

1020 SECTION 138. Section 9-314 of said chapter 106 is hereby amended by striking out  
1021 subsections (a) and (b) and inserting in place thereof the following new subsections:--

1022 (a) Perfection by control. A security interest in controllable accounts, controllable  
1023 electronic records, controllable payment intangibles, deposit accounts, electronic documents,  
1024 electronic money, investment property, or letter-of-credit rights may be perfected by control of  
1025 the collateral under Section 7-106, 9-104, 9-105A, 9-106, 9-107, or 9-107A.

1026 (b) Specified collateral: time of perfection by control; continuation of perfection. A  
1027 security interest in controllable accounts, controllable electronic records, controllable payment  
1028 intangibles, deposit accounts, electronic documents, electronic money, or letter-of-credit rights is  
1029 perfected by control under Section 7-106, 9-104, 9-105A, 9-107, or 9-107A not earlier than the

1030 time the secured party obtains control and remains perfected by control only while the secured  
1031 party retains control.

1032 SECTION 139. Section 9-314(c) of said chapter 106 is hereby amended by striking out  
1033 the word “from” after the word “9-106”, and by inserting in place thereof the following:--“not  
1034 earlier than”.

1035 SECTION 140. Said chapter 106 is hereby amended inserting the following new section  
1036 following Section 9-314:--

1037 Section 9-314A. Perfection by Possession and Control of Chattel Paper.

1038 (a) Perfection by possession and control. A secured party may perfect a security interest  
1039 in chattel paper by taking possession of each authoritative tangible copy of the record evidencing  
1040 the chattel paper and obtaining control of each authoritative electronic copy of the electronic  
1041 record evidencing the chattel paper.

1042 (b) Time of perfection; continuation of perfection. A security interest is perfected under  
1043 subsection (a) not earlier than the time the secured party takes possession and obtains control and  
1044 remains perfected under subsection (a) only while the secured party retains possession and  
1045 control.

1046 (c) Application of Section 9-313 to perfection by possession of chattel paper. Section 9-  
1047 313(c) and (f) through (i) applies to perfection by possession of an authoritative tangible copy of  
1048 a record evidencing chattel paper.

1049 SECTION 141. Section 9-316 of said chapter 106 is hereby amended by striking out the  
1050 chapeau of subsection (a) and inserting in place thereof the following new chapeau:--

1051 (a) General rule: effect on perfection of change in governing law. A security interest  
1052 perfected pursuant to the law of the jurisdiction designated in Section 9-301(1), 9-305(c), 9-  
1053 306A(d), or 9-306B(b) remains perfected until the earliest of:

1054 SECTION 142. Section 9-316 of said chapter 106 is hereby further amended by striking  
1055 out the chapeau of subsection (f) and inserting in place thereof the following new chapeau:--

1056 (f) Change in jurisdiction of chattel paper, controllable electronic record, bank, issuer,  
1057 nominated person, securities intermediary, or commodity intermediary. A security interest in  
1058 chattel paper, controllable accounts, controllable electronic records, controllable payment  
1059 intangibles, deposit accounts, letter-of-credit rights, or investment property which is perfected  
1060 under the law of the chattel paper's jurisdiction, the controllable electronic record's jurisdiction,  
1061 the bank's jurisdiction, the issuer's jurisdiction, a nominated person's jurisdiction, the securities  
1062 intermediary's jurisdiction, or the commodity intermediary's jurisdiction, as applicable, remains  
1063 perfected until the earlier of:

1064 SECTION 143. Section 9-317 of said chapter 106 is hereby amended by striking out  
1065 subsection (b) and inserting in place thereof the following new subsection:--

1066 (b) Buyers that receive delivery. Except as otherwise provided in subsection (e), a buyer,  
1067 other than a secured party, of goods, instruments, tangible documents, or a security certificate  
1068 takes free of a security interest or agricultural lien if the buyer gives value and receives delivery  
1069 of the collateral without knowledge of the security interest or agricultural lien and before it is  
1070 perfected.

1071 SECTION 144. Section 9-317 of said chapter 106 is hereby amended by striking out  
1072 subsection (d) and inserting in place thereof the following new subsection:--

1073 (d) Licensees and buyers of certain collateral. Subject to subsections (f) through (i), a  
1074 licensee of a general intangible or a buyer, other than a secured party, of collateral other than  
1075 electronic money, goods, instruments, tangible documents or a certificated security takes free of  
1076 a security interest if the licensee or buyer gives value without knowledge of the security interest  
1077 and before it is perfected.

1078 SECTION 145. Section 9-317 of said chapter 106 is hereby further amended by inserting  
1079 at the end of subsection (e) the following new subsections:

1080 (f) Buyers of chattel paper. A buyer, other than a secured party, of chattel paper takes free  
1081 of a security interest if, without knowledge of the security interest and before it is perfected, the  
1082 buyer gives value and:

1083 (1) receives delivery of each authoritative tangible copy of the record evidencing the  
1084 chattel paper; and

1085 (2) if each authoritative electronic copy of the record evidencing the chattel paper can be  
1086 subjected to control under Section 9-105, obtains control of each authoritative electronic copy.

1087 (g) Buyers of electronic documents. A buyer of an electronic document takes free of a  
1088 security interest if, without knowledge of the security interest and before it is perfected, the  
1089 buyer gives value and, if each authoritative electronic copy of the document can be subjected to  
1090 control under Section 7-106, obtains control of each authoritative electronic copy.

1091 (h) Buyers of controllable electronic records. A buyer of a controllable electronic record  
1092 takes free of a security interest if, without knowledge of the security interest and before it is  
1093 perfected, the buyer gives value and obtains control of the controllable electronic record.

1094 (i) Buyers of controllable accounts and controllable payment intangibles. A buyer, other  
1095 than a secured party, of a controllable account or a controllable payment intangible takes free of  
1096 a security interest if, without knowledge of the security interest and before it is perfected, the  
1097 buyer gives value and obtains control of the controllable account or controllable payment  
1098 intangible.

1099 SECTION 146. Section 9-323(d) of said chapter 106 is hereby amended by striking out  
1100 the words “other than a buyer in ordinary course of business”, after the word “goods”.

1101 SECTION 147. Section 9-323(f) of said chapter 106 is hereby amended by striking out  
1102 the words “other than a lessee in ordinary course of business”, after the word “goods”.

1103 SECTION 148. Section 9-324 of said chapter 106 is hereby amended by striking out the  
1104 words “an authenticated” wherever it appears in that Section and by inserting in each place  
1105 thereof the following:-- “a signed”.

1106 SECTION 149. Said chapter 106 is hereby amended by inserting following Section 326  
1107 the following new section:

1108 Section 9-326A. Priority of Security Interest in Controllable Account, Controllable  
1109 Electronic Record, and Controllable Payment Intangible. A security interest in a controllable  
1110 account, controllable electronic record, or controllable payment intangible held by a secured  
1111 party having control of the account, electronic record, or payment intangible has priority over a  
1112 conflicting security interest held by a secured party that does not have control.

1113 SECTION 150. Section 9-330 of said chapter 106 is hereby amended by striking out  
1114 subsections (a) and (b) and by inserting in place thereof the following new subsections:--



1115 (a) Purchaser's priority: security interest claimed merely as proceeds. A purchaser of  
1116 chattel paper has priority over a security interest in the chattel paper which is claimed merely as  
1117 proceeds of inventory subject to a security interest if:

1118 (1) in good faith and in the ordinary course of the purchaser's business, the purchaser  
1119 gives new value, takes possession of each authoritative tangible copy of the record evidencing  
1120 the chattel paper, and obtains control under Section 9-105 of each authoritative electronic copy  
1121 of the record evidencing the chattel paper; and

1122 (2) the authoritative copies of the record evidencing the chattel paper do not indicate that  
1123 the chattel paper has been assigned to an identified assignee other than the purchaser.

1124 (b) Purchaser's priority: other security interests. A purchaser of chattel paper has priority  
1125 over a security interest in the chattel paper which is claimed other than merely as proceeds of  
1126 inventory subject to a security interest if the purchaser gives new value, takes possession of each  
1127 authoritative tangible copy of the record evidencing the chattel paper, and obtains control under  
1128 Section 9-105 of each authoritative electronic copy of the record evidencing the chattel paper in  
1129 good faith, in the ordinary course of the purchaser's business, and without knowledge that the  
1130 purchase violates the rights of the secured party.

1131 SECTION 151. Section 9-330 of said chapter 106 is hereby further amended by striking  
1132 out subsection (f) and by inserting in place thereof the following new subsection:--

1133 (f) Indication of assignment gives knowledge. For purposes of subsections (b) and (d), if  
1134 the authoritative copies of the record evidencing chattel paper or an instrument indicate that the  
1135 chattel paper or instrument has been assigned to an identified secured party other than the

1136 purchaser, a purchaser of the chattel paper or instrument has knowledge that the purchase  
1137 violates the rights of the secured party.

1138 SECTION 152. Said chapter 106 is hereby amended by striking out Section 9-331 and by  
1139 inserting in place thereof the following new Section:--

1140 Section 9-331. Priority of Rights of Purchasers of Controllable Accounts, Controllable  
1141 Electronic Records, Controllable Payment Intangibles, Documents, Instruments, and Securities  
1142 Under Other Articles; Priority of Interests in Financial Assets and Security Entitlements and  
1143 Protection Against Assertion of Claim Under Articles 8 and 12.

1144 (a) Rights under Articles 3, 7, 8, and 12 not limited. This article does not limit the rights  
1145 of a holder in due course of a negotiable instrument, a holder to which a negotiable document of  
1146 title has been duly negotiated, a protected purchaser of a security, or a qualifying purchaser of a  
1147 controllable account, controllable electronic record, or controllable payment intangible. These  
1148 holders or purchasers take priority over an earlier security interest, even if perfected, to the  
1149 extent provided in Articles 3, 7, 8, and 12.

1150 (b) Protection under Articles 8 and 12. This article does not limit the rights of or impose  
1151 liability on a person to the extent that the person is protected against the assertion of a claim  
1152 under Article 8 or 12.

1153 (c) Filing not notice. Filing under this article does not constitute notice of a claim or  
1154 defense to the holders, purchasers, or persons described in subsections (a) and (b).

1155 SECTION 153. Said chapter 106 is hereby amended by striking out Section 9-332 and by  
1156 inserting in place thereof the following new Section:--

1157 Section 9-332. Transfer of Money; Transfer of Funds from Deposit Account.

1158 (a) Transferee of tangible money. A transferee of tangible money takes the money free of  
1159 a security interest if the transferee receives possession of the money without acting in collusion  
1160 with the debtor in violating the rights of the secured party.

1161 (b) Transferee of funds from deposit account. A transferee of funds from a deposit  
1162 account takes the funds free of a security interest in the deposit account if the transferee receives  
1163 the funds without acting in collusion with the debtor in violating the rights of the secured party.

1164 (c) Transferee of electronic money. A transferee of electronic money takes the money  
1165 free of a security interest if the transferee obtains control of the money without acting in  
1166 collusion with the debtor in violating the rights of the secured party.

1167 SECTION 154. Section 9-334(f) of said chapter 106 is hereby amended by striking out  
1168 the words “an authenticated” in that subsection (1) and by inserting in place thereof the  
1169 following:-- “a signed”.

1170 SECTION 155. Section 9-338 of said chapter 106 is hereby amended by striking out in  
1171 clause (2) and inserting in place thereof the following new clause (2): --

1172 a purchaser, other than a secured party, of the collateral takes free of the security interest  
1173 or agricultural lien to the extent that, in reasonable reliance upon the incorrect information, the  
1174 purchaser gives value and, in the case of , tangible documents, goods, instruments, or a security  
1175 certificate, receives possession or delivery of the collateral, and, in the case of chattel paper,  
1176 takes possession of each authoritative tangible copy of the record evidencing the chattel paper

1177 and obtains control of each authoritative electronic copy of the electronic record evidencing the  
1178 chattel paper.

1179 SECTION 156. Section 9-341 of said chapter 106 is hereby amended by striking out the  
1180 words “an authenticated”, after the words “agrees in”, and by inserting in place thereof the  
1181 following:-- “a signed”.

1182 SECTION 157. Section 9-404(a) of said chapter 106 is hereby amended by striking out  
1183 the words “authenticated” in clause (2) and by inserting in place thereof the following word:--  
1184 “signed”.

1185 SECTION 158. Section 9-406 of said chapter 106 is hereby amended by striking out  
1186 subsections (a) through (c) and by inserting in place thereof the following new subsections:--

1187 (a) Discharge of account debtor; effect of notification. Subject to subsections (b) through  
1188 (i) and (l), an account debtor on an account, chattel paper, or a payment intangible may discharge  
1189 its obligation by paying the assignor until, but not after, the account debtor receives a  
1190 notification, signed by the assignor or the assignee, that the amount due or to become due has  
1191 been assigned and that payment is to be made to the assignee. After receipt of the notification,  
1192 the account debtor may discharge its obligation by paying the assignee and may not discharge  
1193 the obligation by paying the assignor.

1194 (b) When notification ineffective. Subject to subsections (h) and (l), notification is  
1195 ineffective under subsection (a):

1196 (A) only a portion of the account, chattel paper, or payment intangible has been assigned  
1197 to that assignee;

1198 (B) a portion has been assigned to another assignee; or

1199 (C) the account debtor knows that the assignment to that assignee is limited.

1200 (c) Proof of assignment. Subject to subsections (h) and (l), if requested by the account  
1201 debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made.  
1202 Unless the assignee complies, the account debtor may discharge its obligation by paying the  
1203 assignor, even if the account debtor has received a notification under subsection (a).

1204 SECTION 159. Section 4-406(d) of said chapter 106 is amended by adding the following  
1205 new sentence at the beginning of subsection (d): --" In this subsection, "promissory note"  
1206 includes a negotiable instrument that evidences chattel paper."

1207 SECTION 160. Section 9-406 of said chapter 106 is further amended by striking out the  
1208 words "subsection (h)", after the word "to" in subsection (g), and by inserting in place thereof  
1209 the following:-- "subsections (h) and (l)".

1210 SECTION 161. Section 9-406 of said chapter 106 is hereby amended by inserting  
1211 following subsection (j) the following new subsections: --

1212 (k) Inapplicability to interests in certain entities. Subsections (d), (f), and (j) do not apply  
1213 to a security interest in an ownership interest in a general partnership, limited partnership, or  
1214 limited liability company.

1215 (l) Inapplicability of certain subsections. Subsections (a), (b), (c), and (g) do not apply to  
1216 a controllable account or controllable payment intangible.

1217 SECTION 162. Section 9-408 of said chapter 106 is hereby amended by inserting at the  
1218 end of subsection (f) the following new sections: --

1219 (f) Inapplicability to interests in certain entities. This section does not apply to a security  
1220 interest in an ownership interest in a general partnership, limited partnership, or limited liability  
1221 company.

1222 (g) "Promissory note." In this section, "promissory note" includes a negotiable  
1223 instrument that evidences chattel paper.

1224 SECTION 163. Section 9-509(a)(1) of said chapter 106 is hereby amended by striking  
1225 out the words "an authenticated" and by inserting in the following words:-- "a signed".

1226 SECTION 164. Section 9-509(b) of said chapter 106 is hereby amended by striking out  
1227 the word "authenticating" in that Section and by inserting in place thereof the following word:--  
1228 "signing".

1229 SECTION 165. Section 9-513 of said chapter 106 is hereby amended by striking out the  
1230 words "an authenticated" wherever they appear in that Section and by inserting in each place  
1231 thereof the following words:-- "a signed".

1232 SECTION 166. Section 9-601(b) of said chapter 106 is hereby amended by inserting the  
1233 word "9-105A," after the word "9-105," in that Section, by striking out the word "or" following  
1234 the word "9-106," in that Section, and by inserting the words ", or 9-107A" following the word  
1235 "9-107" in that Section

1236 SECTION 167. Section 9-605 of said chapter 106 is hereby amended by striking out the  
1237 word "A" at the beginning of that Section and by inserting in place thereof the following words:-  
1238 - "(a) In general: No duty owed by secured party. Except as provided in subsection (b), a"

1239 SECTION 168. Section 9-605 of said chapter 106 is further hereby amended by inserting,  
1240 at the end of subsection (a), the following new subsection:--

1241 (b) Exception: Secured party owes duty to debtor or obligor. A secured party owes a duty  
1242 based on its status as a secured party to a person if, at the time the secured party obtains control  
1243 of collateral that is a controllable account, controllable electronic record, or controllable payment  
1244 intangible or at the time the security interest attaches to the collateral, whichever is later:

1245 (1) the person is a debtor or obligor; and

1246 (2) the secured party knows that the information in subsection (a)(1)(A), (B), or (C)  
1247 relating to the person is not provided by the collateral, a record attached to or logically associated  
1248 with the collateral, or the system in which the collateral is recorded.

1249 SECTION 169. Section 9-608(a)(1)(C) of said chapter 106 is hereby amended by striking  
1250 out the words “an authenticated” in that Section and by inserting in place thereof the following  
1251 words:-- “a signed”.

1252 SECTION 170. Section 9-611 of said chapter 106 is hereby amended by striking out the  
1253 words “an authenticated” wherever they appear in that Section and by inserting in each place  
1254 thereof the following words:-- “a signed”.

1255 SECTION 171. Section 9-611(b) of said chapter 106 is hereby amended by striking out  
1256 the word “authenticated” in that Section and by inserting in place thereof the following word:--  
1257 “signed”.

1258 SECTION 172. Section 9-613 of said chapter 106 is hereby amended by inserting before  
1259 the word “Except” in the beginning of that section the following:-- “(a) Contents and form of  
1260 notification.”

1261 SECTION 173. Section 9-613 of said chapter 106 is hereby amended by striking the  
1262 chapeau of clause (5) and by inserting in its place the following new chapeau:

1263 (5) The following form of notification and the form appearing in Section 9-614(a)(3),  
1264 when completed in accordance with the instructions in subsection (b) and Section 9-614(b), each  
1265 provides sufficient information:

1266 SECTION 174. Section 9-613 of said chapter 106 is hereby amended by striking out the  
1267 NOTIFICATION OF DISPOSITION OF COLLATERAL form in that Section and by inserting  
1268 in place thereof the following form:--

1269 NOTIFICATION OF DISPOSITION OF COLLATERAL

1270 To: (Name of debtor, obligor, or other person to which the notification is sent)

1271 From: (Name, address, and telephone number of secured party)

1272 {1} Name of any debtor that is not an addressee:

1273 (Name of each debtor)

1274 {2} We will sell (describe collateral) (to the highest qualified bidder) at public sale. A  
1275 sale could include a lease or license. The sale will be held as follows:

1276 (Date)



1277 (Time)

1278 (Place)

1279 {3} We will sell (describe collateral) at private sale sometime after (date). A sale could  
1280 include a lease or license.

1281 {4} You are entitled to an accounting of the unpaid indebtedness secured by the property  
1282 that we intend to sell or, as applicable, lease or license.

1283 {5} If you request an accounting you must pay a charge of \$ (amount)

1284 {6} You may request an accounting by calling us at (telephone number).

1285 [End of Form]

1286 (b) Instructions for form of notification. The following instructions apply to the form of  
1287 notification in subsection (a)(5):

1288 (1) The instructions in this subsection refer to the numbers in braces before items in the  
1289 form of notification in subsection (a)(5). Do not include the numbers or braces in the  
1290 notification. The numbers and braces are used only for the purpose of these instructions.

1291 (2) Include and complete item {1} only if there is a debtor that is not an addressee of the  
1292 notification and list the name or names.

1293 (3) Include and complete either item {2}, if the notification relates to a public disposition  
1294 of the collateral, or item {3}, if the notification relates to a private disposition of the collateral. If  
1295 item {2} is included, include the words “to the highest qualified bidder” only if applicable.

1296 (4) Include and complete items {4} and {6}.

1297 (5) Include and complete item {5} only if the sender will charge the recipient for an  
1298 accounting.

1299 SECTION 175. Section 9-614 of said chapter 106 is hereby amended by inserting before  
1300 the word “In” in the beginning of that Section the following:-- “(a) Contents and form of  
1301 notification.”

1302 SECTION 176. Section 9-614(a), as amended, of said chapter 106 is hereby amended by  
1303 striking out the word “9-613(1)” in clause (1) of that Section and by inserting in place thereof the  
1304 word “9-613(a)(1)”

1305 SECTION 177. Section 9-614(3) of said chapter 106 is hereby amended by striking the  
1306 comma after the word “completed”, by inserting after the word “completed” the words “in  
1307 accordance with the instructions in subsection (b),”.

1308 SECTION 178. Section 9-614(3) of said chapter 106 is hereby amended by striking out  
1309 the NOTICE OF OUR PLAN TO SELL PROPERTY form in that Section and by inserting in  
1310 place thereof the following form:--

1311 (Name and address of secured party)

1312 (Date)

1313 NOTICE OF OUR PLAN TO SELL PROPERTY

1314 (Name and address of any obligor who is also a debtor)

1315 Subject: (Identify transaction)

1316 We have your (describe collateral), because you broke promises in our agreement.

1317 {1} We will sell (describe collateral) at public sale. A sale could include a lease or  
1318 license. The sale will be held as follows:

1319 (Date)

1320 (Time)

1321 (Place)

1322 You may attend the sale and bring bidders if you want.

1323 {2} We will sell (describe collateral) at private sale sometime after (date). A sale could  
1324 include a lease or license.

1325 {3} The money that we get from the sale, after paying our costs, will reduce the amount  
1326 you owe. If we get less money than you owe, you (will or will not, as applicable) still owe us the  
1327 difference. If we get more money than you owe, you will get the extra money, unless we must  
1328 pay it to someone else.

1329 {4} You can get the property back at any time before we sell it by paying us the full  
1330 amount you owe, not just the past due payments, including our expenses. To learn the exact  
1331 amount you must pay, call us at (telephone number).

1332 {5} If you want us to explain to you in (writing) (writing or in (description of electronic  
1333 record)) (description of electronic record) how we have figured the amount that you owe us, {6}  
1334 call us at (telephone number) (or) (write us at (secured party's address)) (or contact us by  
1335 (description of electronic communication method)) {7} and request (a written explanation) (a

1336 written explanation or an explanation in (description of electronic record)) (an explanation in  
1337 (description of electronic record)).

1338 {8} We will charge you \$ (amount) for the explanation if we sent you another written  
1339 explanation of the amount you owe us within the last six months.

1340 {9} If you need more information about the sale (call us at (telephone number)) (or  
1341 (write us at (secured party's address)) (or contact us by (description of electronic communication  
1342 method)).

1343 {10} We are sending this notice to the following other people who have an interest in  
1344 (describe collateral) or who owe money under your agreement:

1345 (Names of all other debtors and obligors, if any)

1346 [End of Form]

1347 SECTION 179. Section 9-614 of said chapter 106 is hereby amended by inserting  
1348 following Section 6.14(a) as amended, the following new subsection:--

1349 (b) Instructions for form of notification. The following instructions apply to the form of  
1350 notification in subsection (a)(3):

1351 (1) The instructions in this subsection refer to the numbers in braces before items in the  
1352 form of notification in subsection (a)(3). Do not include the numbers or braces in the  
1353 notification. The numbers and braces are used only for the purpose of these instructions.

1354 (2) Include and complete either item {1}, if the notification relates to a public disposition  
1355 of the collateral, or item {2}, if the notification relates to a private disposition of the collateral.

1356 (3) Include and complete items {3}, {4}, {5}, {6}, and {7}.

1357 (4) In item {5}, include and complete any one of the three alternative methods for the  
1358 explanation—writing, writing or electronic record, or electronic record.

1359 (5) In item {6}, include the telephone number. In addition, the sender may include and  
1360 complete either or both of the two additional alternative methods of communication—writing or  
1361 electronic communication—for the recipient of the notification to communicate with the sender.  
1362 Neither of the two additional methods of communication is required to be included.

1363 (6) In item {7}, include and complete the method or methods for the explanation—  
1364 writing, writing or electronic record, or electronic record—included in item {5}.

1365 (7) Include and complete item {8} only if a written explanation is included in item {5} as  
1366 a method for communicating the explanation and the sender will charge the recipient for another  
1367 written explanation.

1368 (8) In item {9}, include either the telephone number or the address or both the telephone  
1369 number and the address. In addition, the sender may include and complete the additional method  
1370 of communication—electronic communication—for the recipient of the notification to  
1371 communicate with the sender. The additional method of electronic communication is not  
1372 required to be included.

1373 (9) If item {10} does not apply, insert “None” after “agreement:”.

1374 SECTION 180. Section 9-615 of said chapter 106 is hereby amended by striking out the  
1375 words “an authenticated” wherever they appear in that Section and by inserting in each place  
1376 thereof the following words:-- “a signed”.

1377 SECTION 181. Section 9-616(a)(1) of said chapter 106 is hereby amended by striking  
1378 out the word “writing” in that Section and by inserting in place thereof the following word:--  
1379 “record”.

1380 SECTION 182. Section 9-616(a)(2) of said chapter 106 is hereby amended by striking  
1381 out the word “authenticated” in that Section and by inserting in place thereof the following  
1382 word:-- “signed”.

1383 SECTION 183. Section 9-616(b)(1)(A) of said chapter 106 is hereby amended by striking  
1384 out the word “written” in that Section and by inserting, following the word “demand”, the  
1385 following words:-- “in a record”.

1386 SECTION 184. Section 9-616(c) of said chapter 106 is hereby amended by striking out  
1387 the words “a writing” in that Section and by inserting in place thereof the following words:-- “an  
1388 explanation”.

1389 SECTION 185. Section 9-619(a) of said chapter 106 is hereby amended by striking out  
1390 the word “authenticated” in that Section and by inserting in place thereof the following word:--  
1391 “signed”.

1392 SECTION 186. Section 9-620(a)(2) of said chapter 106 is hereby amended by striking  
1393 out the word “authenticated” and by inserting in each place thereof the following word:--  
1394 “signed”.

1395 SECTION 187. Section 9-620(b) of said chapter 106 is hereby amended by striking out  
1396 the word “an authenticated” in that Section and by inserting in each place thereof the following  
1397 words:-- “a signed”.

1398 SECTION 188. Section 9-620(c) of said chapter 106 is hereby amended by striking out  
1399 the word “authenticated” wherever it appears in that Section and by inserting in each place  
1400 thereof the following word:-- “signed”.

1401 SECTION 189. Section 9-620(f)(2) of said chapter 106 is hereby amended by striking out  
1402 the word “authenticated” and by inserting in each place thereof the following word:-- “signed”.

1403 SECTION 190. Section 9-621(a)(1) of said chapter 106 is hereby amended by striking  
1404 out the words “an authenticated” and by inserting in place thereof the following words:-- “a  
1405 signed”.

1406 SECTION 191. Section 9-624 of said chapter 106 is hereby amended by striking out the  
1407 word “authenticated” wherever it appears in that Section and by inserting in each place thereof  
1408 the following word:-- “signed”.

1409 SECTION 192. Section 9-628(a) of said chapter 106 is hereby amended by striking out  
1410 the word “Unless” in that Section and by inserting in place thereof the following words:--  
1411 “Subject to subsection (f), unless”.

1412 SECTION 193. Section 9-628(b) of said chapter 106 is hereby amended by striking out  
1413 the word “A”, following the words “Limitation of liability based on status as secured party.” in  
1414 that Section and by inserting in place thereof the following words:-- “Subject to subsection (f),  
1415 a”.

1416 SECTION 194. Section 9-628 of said chapter 106 is further hereby amended by inserting,  
1417 at the end of subsection (e), the following new subsection:--

1418 (f) Exception: Limitation of liability under subsections (a) and (b) does not apply.  
1419 Subsections (a) and (b) do not apply to limit the liability of a secured party to a person if, at the  
1420 time the secured party obtains control of collateral that is a controllable account, controllable  
1421 electronic record, or controllable payment intangible or at the time the security interest attaches  
1422 to the collateral, whichever is later:

1423 (1) the person is a debtor or obligor; and

1424 (2) the secured party knows that the information in subsection (b)(1)(A), (B), or (C)  
1425 relating to the person is not provided by the collateral, a record attached to or logically associated  
1426 with the collateral, or the system in which the collateral is recorded.

1427 SECTION 195. Chapter 106 is further amended by adding the following new article after  
1428 Article 9:--

1429 ARTICLE 12

1430 CONTROLLABLE ELECTRONIC RECORDS

1431 Section 12-101. Title.

1432 This article may be cited as Uniform Commercial Code—Controllable Electronic  
1433 Records.

1434 Section 12-102. Definitions.

1435 (a) Article 12 definitions.

1436 In this article:



1437 (1) “Controllable electronic record” means a record stored in an electronic medium that  
1438 can be subjected to control under Section 12-105. The term does not include a controllable  
1439 account, a controllable payment intangible, a deposit account, an electronic copy of a record  
1440 evidencing chattel paper, an electronic document of title, electronic money, investment property,  
1441 or a transferable record.

1442 (2) “Qualifying purchaser” means a purchaser of a controllable electronic record or an  
1443 interest in a controllable electronic record that obtains control of the controllable electronic  
1444 record for value, in good faith, and without notice of a claim of a property right in the  
1445 controllable electronic record.

1446 (3) “Transferable record” has the meaning provided for that term in:

1447 (A) Section 201(a)(1) of the Electronic Signatures in Global and National Commerce  
1448 Act, 15 U.S.C. Section 7021(a)(1), as amended; or

1449 (B) Section 16(a) of the Massachusetts Uniform Electronic Transactions Act, Chapter  
1450 110G.

1451 (4) “Value” has the meaning provided in Section 3-303(a), as if references in that  
1452 subsection to an “instrument” were references to a controllable account, controllable electronic  
1453 record, or controllable payment intangible.

1454 (b) Definitions in Article 9. The definitions in Article 9 of “account debtor”, “controllable  
1455 account”, “controllable payment intangible”, “chattel paper”, “deposit account”, “electronic  
1456 money”, and “investment property” apply to this article.

1457 (c) Article 1 definitions and principles. Article 1 contains general definitions and  
1458 principles of construction and interpretation applicable throughout this article.

1459 Section 12-103. Relation to Article 9 and Consumer Laws.

1460 (a) Article 9 governs in case of conflict. If there is conflict between this article and  
1461 Article 9, Article 9 governs.

1462 (b) Applicable consumer law and other laws. A transaction subject to this article is  
1463 subject to any applicable rule of law that establishes a different rule for consumers, to any other  
1464 statute or regulation of the commonwealth that regulates the rates, charges, agreements, and  
1465 practices for loans, credit sales, or other extensions of credit, and to any consumer-protection  
1466 statute or regulation of the commonwealth.

1467 Section 12-104. Rights in Controllable Account, Controllable Electronic Record, and  
1468 Controllable Payment Intangible.

1469 (a) Applicability of section to controllable account and controllable payment intangible.  
1470 This section applies to the acquisition and purchase of rights in a controllable account or  
1471 controllable payment intangible, including the rights and benefits under subsections (c), (d), (e),  
1472 (g), and (h) of a purchaser and qualifying purchaser, in the same manner this section applies to a  
1473 controllable electronic record.

1474 (b) Control of controllable account and controllable payment intangible. To determine  
1475 whether a purchaser of a controllable account or a controllable payment intangible is a qualifying  
1476 purchaser, the purchaser obtains control of the account or payment intangible if it obtains control  
1477 of the controllable electronic record that evidences the account or payment intangible.

1478 (c) Applicability of other law to acquisition of rights. Except as provided in this section,  
1479 law other than this article determines whether a person acquires a right in a controllable  
1480 electronic record and the right the person acquires.

1481 (d) Shelter principle and purchase of limited interest. A purchaser of a controllable  
1482 electronic record acquires all rights in the controllable electronic record that the transferor had or  
1483 had power to transfer, except that a purchaser of a limited interest in a controllable electronic  
1484 record acquires rights only to the extent of the interest purchased.

1485 (e) Rights of qualifying purchaser. A qualifying purchaser acquires its rights in the  
1486 controllable electronic record free of a claim of a property right in the controllable electronic  
1487 record.

1488 (f) Limitation of rights of qualifying purchaser in other property. Except as provided in  
1489 subsections (a) and (e) for a controllable account and a controllable payment intangible or law  
1490 other than this article, a qualifying purchaser takes a right to payment, right to performance, or  
1491 other interest in property evidenced by the controllable electronic record subject to a claim of a  
1492 property right in the right to payment, right to performance, or other interest in property.

1493 (g) No-action protection for qualifying purchaser. An action may not be asserted against a  
1494 qualifying purchaser based on both a purchase by the qualifying purchaser of a controllable  
1495 electronic record and a claim of a property right in another controllable electronic record,  
1496 whether the action is framed in conversion, replevin, constructive trust, equitable lien, or other  
1497 theory.

1498 (h) Filing not notice. Filing of a financing statement under Article 9 is not notice of a  
1499 claim of a property right in a controllable electronic record.

1500 Section 12-105. Control of Controllable Electronic Record.

1501 (a) General rule: control of controllable electronic record. A person has control of a  
1502 controllable electronic record if the electronic record, a record attached to or logically associated  
1503 with the electronic record, or a system in which the electronic record is recorded:

1504 (1) gives the person:

1505 (A) power to avail itself of substantially all the benefit from the electronic record; and

1506 (B) exclusive power, subject to subsection (b), to:

1507 (i) prevent others from availing themselves of substantially all the benefit from the  
1508 electronic record; and

1509 (ii) transfer control of the electronic record to another person or cause another person to  
1510 obtain control of another controllable electronic record as a result of the transfer of the electronic  
1511 record; and

1512 (2) enables the person readily to identify itself in any way, including by name, identifying  
1513 number, cryptographic key, office, or account number, as having the powers specified in  
1514 paragraph (1).

1515 (b) Meaning of exclusive. Subject to subsection (c), a power is exclusive under  
1516 subsection (a)(1)(B)(i) and (ii) even if:

1517 (1) the controllable electronic record, a record attached to or logically associated with the  
1518 electronic record, or a system in which the electronic record is recorded limits the use of the

1519 electronic record or has a protocol programmed to cause a change, including a transfer or loss of  
1520 control or a modification of benefits afforded by the electronic record; or

1521 (2) the power is shared with another person.

1522 (c) When power not shared with another person. A power of a person is not shared with  
1523 another person under subsection (b)(2) and the person's power is not exclusive if:

1524 (1) the person can exercise the power only if the power also is exercised by the other  
1525 person; and

1526 (2) the other person:

1527 (A) can exercise the power without exercise of the power by the person; or

1528 (B) is the transferor to the person of an interest in the controllable electronic record or a  
1529 controllable account or controllable payment intangible evidenced by the controllable electronic  
1530 record.

1531 (d) Presumption of exclusivity of certain powers. If a person has the powers specified in  
1532 subsection (a)(1)(B)(i) and (ii), the powers are presumed to be exclusive.

1533 (e) Control through another person. A person has control of a controllable electronic  
1534 record if another person, other than the transferor to the person of an interest in the controllable  
1535 electronic record or a controllable account or controllable payment intangible evidenced by the  
1536 controllable electronic record:

1537 (1) has control of the electronic record and acknowledges that it has control on behalf of  
1538 the person; or

1539 (2) obtains control of the electronic record after having acknowledged that it will obtain  
1540 control of the electronic record on behalf of the person.

1541 (f) No requirement to acknowledge. A person that has control under this section is not  
1542 required to acknowledge that it has control on behalf of another person.

1543 (g) No duties or confirmation. If a person acknowledges that it has or will obtain control  
1544 on behalf of another person, unless the person otherwise agrees or law other than this article or  
1545 Article 9 otherwise provides, the person does not owe any duty to the other person and is not  
1546 required to confirm the acknowledgment to any other person.

1547 Section 12-106. Discharge of Account Debtor on Controllable Account or Controllable  
1548 Payment Intangible.

1549 (a) Discharge of account debtor. An account debtor on a controllable account or  
1550 controllable payment intangible may discharge its obligation by paying:

1551 (1) the person having control of the controllable electronic record that evidences the  
1552 controllable account or controllable payment intangible; or

1553 (2) except as provided in subsection (b), a person that formerly had control of the  
1554 controllable electronic record.

1555 (b) Content and effect of notification. Subject to subsection (d), the account debtor may  
1556 not discharge its obligation by paying a person that formerly had control of the controllable  
1557 electronic record if the account debtor receives a notification that:

1558 (1) is signed by a person that formerly had control or the person to which control was  
1559 transferred;

1560 (2) reasonably identifies the controllable account or controllable payment intangible;

1561 (3) notifies the account debtor that control of the controllable electronic record that  
1562 evidences the controllable account or controllable payment intangible was transferred;

1563 (4) identifies the transferee, in any reasonable way, including by name, identifying  
1564 number, cryptographic key, office, or account number; and

1565 (5) provides a commercially reasonable method by which the account debtor is to pay the  
1566 transferee.

1567 (c) Discharge following effective notification. After receipt of a notification that complies  
1568 with subsection (b), the account debtor may discharge its obligation by paying in accordance  
1569 with the notification and may not discharge the obligation by paying a person that formerly had  
1570 control.

1571 (d) When notification ineffective. Subject to subsection (h), notification is ineffective  
1572 under subsection (b):

1573 (1) unless, before the notification is sent, the account debtor and the person that, at that  
1574 time, had control of the controllable electronic record that evidences the controllable account or  
1575 controllable payment intangible agree in a signed record to a commercially reasonable method  
1576 by which a person may furnish reasonable proof that control has been transferred;

1577 (2) to the extent an agreement between the account debtor and seller of a payment  
1578 intangible limits the account debtor's duty to pay a person other than the seller and the limitation  
1579 is effective under law other than this article; or

1580 (3) at the option of the account debtor, if the notification notifies the account debtor to:

1581 (A) divide a payment;

1582 (B) make less than the full amount of an installment or other periodic payment; or

1583 (C) pay any part of a payment by more than one method or to more than one person.

1584 (e) Proof of transfer of control. Subject to subsection (h), if requested by the account

1585 debtor, the person giving the notification under subsection (b) seasonably shall furnish

1586 reasonable proof, using the method in the agreement referred to in subsection (d)(1), that control

1587 of the controllable electronic record has been transferred. Unless the person complies with the

1588 request, the account debtor may discharge its obligation by paying a person that formerly had

1589 control, even if the account debtor has received a notification under subsection (b).

1590 (f) What constitutes reasonable proof. A person furnishes reasonable proof under

1591 subsection (e) that control has been transferred if the person demonstrates, using the method in

1592 the agreement referred to in subsection (d)(1), that the transferee has the power to:

1593 (1) avail itself of substantially all the benefit from the controllable electronic record;

1594 (2) prevent others from availing themselves of substantially all the benefit from the

1595 controllable electronic record; and

1596 (3) transfer the powers specified in paragraphs (1) and (2) to another person.

1597 (g) Rights not waivable. Subject to subsection (h), an account debtor may not waive or

1598 vary its rights under subsections (d)(1) and (e) or its option under subsection (d)(3).



1599 (h) Rule for individual under other law. This section is subject to law other than this  
1600 article which establishes a different rule for an account debtor who is an individual and who  
1601 incurred the obligation primarily for personal, family, or household purposes.

1602 Section 12-107. Governing Law.

1603 (a) Governing law: general rule. Except as provided in subsection (b), the local law of a  
1604 controllable electronic record's jurisdiction governs a matter covered by this article.

1605 (b) Governing law: Section 12-106. For a controllable electronic record that evidences a  
1606 controllable account or controllable payment intangible, the local law of the controllable  
1607 electronic record's jurisdiction governs a matter covered by Section 12-106 unless an effective  
1608 agreement determines that the local law of another jurisdiction governs.

1609 (c) Controllable electronic record's jurisdiction. The following rules determine a  
1610 controllable electronic record's jurisdiction under this section:

1611 (1) If the controllable electronic record, or a record attached to or logically associated  
1612 with the controllable electronic record and readily available for review, expressly provides that a  
1613 particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this  
1614 article or this chapter, that jurisdiction is the controllable electronic record's jurisdiction.

1615 (2) If paragraph (1) does not apply and the rules of the system in which the controllable  
1616 electronic record is recorded are readily available for review and expressly provide that a  
1617 particular jurisdiction is the controllable electronic record's jurisdiction for purposes of this  
1618 article or this chapter, that jurisdiction is the controllable electronic record's jurisdiction.

1619 (3) If paragraphs (1) and (2) do not apply and the controllable electronic record, or a  
1620 record attached to or logically associated with the controllable electronic record and readily  
1621 available for review, expressly provides that the controllable electronic record is governed by the  
1622 law of a particular jurisdiction, that jurisdiction is the controllable electronic record's  
1623 jurisdiction.

1624 (4) If paragraphs (1), (2), and (3) do not apply and the rules of the system in which the  
1625 controllable electronic record is recorded are readily available for review and expressly provide  
1626 that the controllable electronic record or the system is governed by the law of a particular  
1627 jurisdiction, that jurisdiction is the controllable electronic record's jurisdiction.

1628 (5) If paragraphs (1) through (4) do not apply, the controllable electronic record's  
1629 jurisdiction is the District of Columbia.

1630 (d) Applicability of Article 12. If subsection (c)(5) applies and Article 12 is not in effect  
1631 in the District of Columbia without material modification, the governing law for a matter  
1632 covered by this article is the law of the District of Columbia as though Article 12 were in effect  
1633 in the District of Columbia without material modification. In this subsection, "Article 12" means  
1634 Article 12 of Uniform Commercial Code Amendments (2022).

1635 (e) Relation of matter or transaction to controllable electronic record's jurisdiction not  
1636 necessary. To the extent subsections (a) and (b) provide that the local law of the controllable  
1637 electronic record's jurisdiction governs a matter covered by this article, that law governs even if  
1638 the matter or a transaction to which the matter relates does not bear any relation to the  
1639 controllable electronic record's jurisdiction.

1640 (f) Rights of purchasers determined at time of purchase. The rights acquired under  
1641 Section 12-104 by a purchaser or qualifying purchaser are governed by the law applicable under  
1642 this section at the time of purchase.

1643 SECTION 196. Chapter 106 is further amended by adding the following new article after  
1644 Article 12:--

1645 ARTICLE A

1646 TRANSITIONAL PROVISIONS FOR UNIFORM COMMERCIAL CODE

1647 AMENDMENTS (2022)

1648 PART 1

1649 GENERAL PROVISIONS AND DEFINITIONS

1650 Section A-101. Title.

1651 This article may be cited as Transitional Provisions for Uniform Commercial Code  
1652 Amendments (2022).

1653 Section A-102. Definitions.

1654 (a) Article A Definitions. In this article:

1655 (1) "Adjustment date" means July 1, 2025, or the date that is one year after January 1,  
1656 2027, whichever is later.

1657 (2) "Article 12" means Article 12 of this chapter.

1658 (3) "Article 12 property" means a controllable account, controllable electronic record, or  
1659 controllable payment intangible.

1660 (b) Definitions in other articles. The following definitions in other articles of this chapter  
1661 apply to this article.

1662 "Controllable account". Section 9-102.

1663 "Controllable electronic record". Section 12-102.

1664 "Controllable payment intangible". Section 9-102.

1665 "Electronic money". Section 9-102.

1666 "Financing statement". Section 9-102.

1667 (c) Article 1 definitions and principles. Article 1 contains general definitions and  
1668 principles of construction and interpretation applicable throughout this article. References in this  
1669 article to "this act" refer to the legislative enactment by which chapter 106 of the General Laws is  
1670 amended effective on the date provided in Section A-401.

1671 PART 2

1672 GENERAL TRANSITIONAL PROVISION

1673 Section A-201. Saving Clause.

1674 Except as provided in Part 3, a transaction validly entered into before January 1, 2027  
1675 and the rights, duties, and interests flowing from the transaction remain valid thereafter and may

1676 be terminated, completed, consummated, or enforced as required or permitted by law other than  
1677 this chapter or, if applicable, this chapter as though this act had not taken effect.

1678 PART 3

1679 TRANSITIONAL PROVISIONS FOR ARTICLES 9 AND 12

1680 Section A-301. Saving Clause.

1681 (a) Pre-effective-date transaction, lien, or interest. Except as provided in this part, Article  
1682 9 as amended by this act and Article 12 apply to a transaction, lien, or other interest in property,  
1683 even if the transaction, lien, or interest was entered into, created, or acquired before January 1,  
1684 2027.

1685 (b) Continuing validity. Except as provided in subsection (c) and Sections A-302 through  
1686 A-306:

1687 (1) a transaction, lien, or interest in property that was validly entered into, created, or  
1688 transferred before January 1, 2027 and was not governed by this chapter, but would be subject to  
1689 Article 9 as amended by this act or Article 12 if it had been entered into, created, or transferred  
1690 on or after January 1, 2027, including the rights, duties, and interests flowing from the  
1691 transaction, lien, or interest, remains valid on and after January 1, 2027; and

1692 (2) the transaction, lien, or interest may be terminated, completed, consummated, and  
1693 enforced as required or permitted by this chapter as amended by this act or by the law that would  
1694 apply if this act had not taken effect.

1695 (c) Pre-effective-date proceeding. This act does not affect an action, case, or proceeding  
1696 commenced before January 1, 2027.

1697 Section A-302. Security Interest Perfected Before Effective Date.

1698 (a) Continuing perfection: perfection requirements satisfied. A security interest that is  
1699 enforceable and perfected immediately before January 1, 2027 is a perfected security interest  
1700 under this chapter as amended by this act if, on January 1, 2027, the requirements for  
1701 enforceability and perfection under this chapter as amended by this act are satisfied without  
1702 further action.

1703 (b) Continuing perfection: enforceability or perfection requirements not satisfied. If a  
1704 security interest is enforceable and perfected immediately before January 1, 2027, but the  
1705 requirements for enforceability or perfection under this chapter as amended by this act, are not  
1706 satisfied on January 1, 2027, the security interest:

1707 (1) is a perfected security interest until the earlier of the time perfection would have  
1708 ceased under the law in effect immediately before January 1, 2027 or the adjustment date;

1709 (2) remains enforceable thereafter only if the security interest satisfies the requirements  
1710 for enforceability under Section 9-203, as amended by this act before the adjustment date; and

1711 (3) remains perfected thereafter only if the requirements for perfection under this chapter  
1712 as amended by this act are satisfied before the time specified in paragraph (1).

1713 Section A-303. Security Interest Unperfected Before Effective Date.

1714 A security interest that is enforceable immediately before January 1, 2027 but is  
1715 unperfected at that time:

1716 (1) remains an enforceable security interest until the adjustment date;

1717 (2) remains enforceable thereafter if the security interest becomes enforceable under  
1718 Section 9-203, as amended by this act, on January 1, 2027 or before the adjustment date; and

1719 (3) becomes perfected:

1720 (A) without further action, on January 1, 2027 if the requirements for perfection under  
1721 this chapter as amended by this act are satisfied before or at that time; or

1722 (B) when the requirements for perfection are satisfied if the requirements are satisfied  
1723 after that time.

1724 Section A-304. Effectiveness of Actions Taken Before Effective Date.

1725 (a) Pre-effective-date action; attachment and perfection before adjustment date. If action,  
1726 other than the filing of a financing statement, is taken before January 1, 2027 and the action  
1727 would have resulted in perfection of the security interest had the security interest become  
1728 enforceable before January 1, 2027, the action is effective to perfect a security interest that  
1729 attaches under this chapter as amended by this act before the adjustment date. An attached  
1730 security interest becomes unperfected on the adjustment date unless the security interest becomes  
1731 a perfected security interest under this chapter as amended by this act before the adjustment date.

1732 (b) Pre-effective-date filing. The filing of a financing statement before January 1, 2027 is  
1733 effective to perfect a security interest on January 1, 2027 to the extent the filing would satisfy the  
1734 requirements for perfection under this chapter as amended by this act.

1735 (c) Pre-effective-date enforceability action. The taking of an action before January 1,  
1736 2027 is sufficient for the enforceability of a security interest on January 1, 2027 if the action  
1737 would satisfy the requirements for enforceability under this chapter as amended by this act.

1738 Section A-305. Priority.

1739 (a) Determination of priority. Subject to subsections (b) and (c), this chapter as amended  
1740 by this act determines the priority of conflicting claims to collateral.

1741 (b) Established priorities. Subject to subsection (c), if the priorities of claims to collateral  
1742 were established before January 1, 2027, Article 9 as in effect before January 1, 2027 determines  
1743 priority.

1744 (c) Determination of certain priorities on adjustment date. On the adjustment date, to the  
1745 extent the priorities determined by Article 9 as amended by this act modify the priorities  
1746 established before January 1, 2027, the priorities of claims to Article 12 property and electronic  
1747 money established before January 1, 2027 cease to apply.

1748 Section A-306. Priority of Claims When Priority Rules of Article 9 Do Not Apply.

1749 (a) Determination of priority. Subject to subsections (b) and (c), Article 12 determines the  
1750 priority of conflicting claims to Article 12 property when the priority rules of Article 9 as  
1751 amended by this act do not apply.

1752 (b) Established priorities. Subject to subsection (c), when the priority rules of Article 9 as  
1753 amended by this act do not apply and the priorities of claims to Article 12 property were  
1754 established before January 1, 2027, law other than Article 12 determines priority.

1755 (c) Determination of certain priorities on adjustment date. When the priority rules of  
1756 Article 9 as amended by this act do not apply, to the extent the priorities determined by this  
1757 chapter as amended by this act modify the priorities established before January 1, 2027, the



1758 priorities of claims to Article 12 property established before January 1, 2027 cease to apply on  
1759 the adjustment date.

1760 PART 4

1761 EFFECTIVE DATE

1762 Section A-401. Effective Date.

1763 This act takes effect on January 1, 2027.