

*Comment of the editorial board*

"Although banks are prohibited by law from paying interest on demand deposits, fear has been expressed that under section 122 interest might run on a certified check or like demand instrument from its date. Opinions differ as to the necessity for the change which, in any event, avoids this unintended result."

The source of this proposal is Connecticut.

5. In subsections 3-412(2) and 3-504(4), delete "continental" to take "account of the admission of Alaska and Hawaii as States." (recommended by the editorial board).

6. Add the following additional section as 4-109:

"Section 4-109. Process of Posting.

"The 'process of posting' means the usual procedure followed by a payor bank in determining to pay an item and in recording the payment including one or more of the following or other steps as determined by the bank:

- "(a) verification of any signature;
- "(b) ascertaining that sufficient funds are available;
- "(c) affixing a 'paid' or other stamp;
- "(d) entering a charge or entry to a customer's account;
- "(e) correcting or reversing an entry or erroneous action with respect to the item."

*Comment of the editorial board*

"This section is intended to supply guides to the meaning of the term, 'process of posting,' for the purposes of sections 4-213(1)(c) and 4-303(1)(d), that are more concrete than those that may be readily inferred from the phrase itself. The definition will be helpful in determining questions as to payment and priorities arising under those sections in payor banks having centralized or automated bookkeeping procedures, under which the amounts of items are preliminarily posted and the items are then checked for signatures, stop-payment orders any the like. Upon the completion of all steps in the payor bank's usual procedure in this regard, including the recording of the payment, the item will be deemed paid for the purposes of section 4-213(1) and the amount of the item will not be affected by any notice, stop order, legal process or setoff that thereafter becomes effective as contemplated by section 4-303(1)."

7. Add the following additional subsection to section 4-204:

"(3) Presentment may be made by a presenting bank at a place where the payor bank has requested that presentment be made."

*Comment of the editorial board*

"The new subsection (3) is intended to make it clear that a presenting bank may make presentment of any item at any place requested by the payor bank, even though that place may not be one of those mentioned in section 3-504. This subsection will thus remove any doubt as to the validity of presentment by a presenting bank at a centralized bookkeeping center or electronic processing center maintained or used by the payor bank."

The source of this proposal is the Federal Reserve banks.

8. Delete optional provision subsection 4-212(2).

*Comment*

This is a change (recommended by the Law and Legislative Committee of the District of Columbia Bankers Association) in modification No. (5) proposed in this committee's report (November 1962 Journal of the District of Columbia Bar Association; p. 598, 602).

In the bank collection process, when a check or other item is not paid by the drawee bank, it is returned to the depository bank through the same chain of banks by which it came. Subsection 4-212(2) authorizes the drawee bank (as well as intermediary banks in the chain) to make a direct return to the depository bank of any unpaid item in lieu of sending it back through normal banking channels. However, this practice is not followed in the District of Columbia, and is said by the UCC official comments to be "in the process of developing in a few sections of the country." Direct return of unpaid items would involve problems relating to preservation of endorser liability, timely return, return to the wrong bank, and possibly other matters. In view of such problems and the lack of information regarding the effects of the practice of direct returns, it is now considered desirable not to have such practice authorized in the District of Columbia until it has become much more widespread and has proved to be beneficial. The retention of subsection 4-212(2) in the code would merely encourage occasional direct returns which would give rise to the problems mentioned