



Uniform Law Commission
NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS

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TO: Federal Reserve Financial Services
FedPaymentsimprovement.org

FROM: Harriet Lansing
President
Uniform Law Commission
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SUBJECT: Payment System Improvements – Public Consultation Paper
Response of the Uniform Law Commission

The Uniform Law Commission (ULC) was established in 1892 to research and prepare model and uniform acts that would bring consistency, clarity, and stability to state statutory law. In furtherance of that purpose the ULC has promulgated more than 300 acts in areas of the law traditionally governed by the states and for which uniformity is important and federal law is not required to achieve that uniformity.

Early in its existence the ULC promulgated the Negotiable Instruments Law. That Law was later incorporated into the Uniform Commercial Code (UCC), which was drafted by the ULC and the American Law Institute (ALI). UCC Articles 3, 4, 4A and 5, versions of which have been widely adopted, set forth uniform state law that currently applies to many payment systems.

Beginning in 1985, the ULC and the ALI undertook to update and modernize the payment-related provisions of the Code, working with Federal Reserve System representatives. The original UCC provisions were designed to address a number of issues that are no longer relevant and were based on a system of paper transactions. Subsequent updates provided many necessary revisions to accommodate electronic transactions and holdings. These revisions to the Code have been enacted by the states, so that state law is in harmony to a significant extent with the changing technologies and practices of the banking system and the rules and regulations of the Federal Reserve System:

Articles 3&4 (Negotiable Instruments) – revised in 1990, enacted in all states but one;

Article 4A (Funds Transfers) -- revised in 1989 and enacted in all states, and also incorporated in Regulation J; and

Article 5 (Letters of Credit) -- revised in 1995 and enacted in all states.

In addition, the ULC and ALI have prepared:

Article 7 (Documents of Title) -- revised in 2003 and enacted in all but five states;

Article 8 (Securities) -- revised in 1994 and enacted in all states; and

Article 9 (Secured Transactions) -- revised in 1999 and enacted in all states. Additional amendments to Article 9 were promulgated in 2010 and have been enacted in all but six states.

Your Consultation Paper asks for input on various matters that would inform and enable opportunities to improve the speed and efficiency of payments and maintain the safety of transactions. Presumably the input may lead to revisions of the applicable rules and regulations.

In that event, ULC is ready and able to continue its past coordination and cooperation with the Federal Reserve System in updating and harmonizing state law with new initiatives for improving the payments systems.

Please keep us advised of the progress in obtaining input and the ways and means by which the ULC can be helpful.