

# SYLLABUS

## COMMERCIAL PAPER & PAYMENT SYSTEMS LAW 7121 SPRING 2010 PROFESSOR BUDNITZ

**Required Texts:** Mann, Payment Systems and Other Financial Transactions (Fourth Edition 2008) & 2009 Comprehensive Commercial Law Statutory Supplement (Aspen)(referred to in this Syllabus as the Statutory Supplement). Additional Materials are available through the GSU Web site for this course. In this Syllabus pages from these materials are designated “Add.” Otherwise, page numbers refer to the case book. Students are required to regularly check the GSU course Web site for changes in the Syllabus, assignments, and class schedule as well as for handouts, changes to the Additional Materials, and more statutory materials.

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	<u>Pages</u>
<b>Introduction to the Law of Payment Systems</b>	
“Payment by Paper, Plastic and Blips.” This document is on the Web site for the course, under the topic heading called “First Assignment.”	
<b>Introduction</b>	3-11
<b>Chapter 6   Negotiability</b>	
<b>Assignment 22 Negotiable Instruments</b>	431-437
P. 437, omit the <i>DBA</i> case	439-441
P. 439, omit all except last full ¶ and bottom ¶	443-447
P. 439, last full ¶, delete 3 <sup>rd</sup> sentence & substitute: Thus, a check would not be negotiable if it included the notation that it was “to be paid as stated in the drawer’s agreement with the payee.”	Add 1-8
P. 441, omit <i>Nagel</i> case	
P. 443, omit all except Section 5	
P. 447, omit Problem Set	

<b>Assignment 23 Transfer &amp; Enforcement of Negotiable Instruments</b>	450-455
	456-459
P. 452, 3rd full ¶: the depository bank is the bank where the person holding a check deposits that check. See UCC 4-105(2).	463-464
	Add 9-10
P.452, last ¶: Regulation CC is a federal law that requires the depository bank to make the funds from check deposits available promptly.	
P. 455, omit <i>Turman</i> case	
P. 458, last ¶ discusses “near cash instruments.” See Add, “Special Types of Checks.”	
P. 459, 1 <sup>st</sup> & 2nd full ¶¶: See Add, “Discharge of the Drawer’s Obligation.”	
Problem 23.1(b). Problem cites 3-416(a)(1). Instead, examine 4-207(a)(1). That provision includes the phrase “person entitled to enforce.” That means there is a warranty that the check does not contain any unauthorized or missing indorsements. See 3-417, Comment 2, second sentence.	
The Problem also cites 3-417(a)(1). Read 4-208(a)(1) instead.	
Omit Problems 23.2, 23.3, & 23.4	

<b>Assignment 24 Holders in Due Course</b>	467-470
	473-479
Pp. 473-75, section 3: read for general background, not specifics.	Add 11-13
Pp. 473-75 refer to accommodation parties. An example is a person who is a co-signer. A co-signer is a guarantor of the instrument.	
Don’t be concerned with the details related to such parties.	
P. 479, omit Problem 24.1	
Add pages, titled “The FTC ‘Holder Rule.’” This material is optional, it will not be discussed in class.	

## Chapter 1 Checking Accounts

<b>Assignment 1 The Basic Checking Relationship</b>	13-16
P. 16, omit <i>McGuire</i> case	18-21
P. 24, omit Problem 1.5	23-24
Read: Revised UCC 1-304 & Comment 1; 3-103(a)(6); 3-103(a)(9) & Comment 5; 4-103(a) & Comment 2	Add 14-30
Problem 1.1. The drawer is Terry Lydgate. Where the problem refers to “Tertius,” substitute “Terry.”	
Add pages titled “When Checks Create Overdrafts” is optional.	

<b>Assignment 2 The Bank’s Obligation to Pay Checks</b>	26-45
Pp. 34-36, <i>First Nat’l Bank</i> case. We won’t discuss case in class.	Add 31-33
Read case for illustration of check kiting.	
Omit Problems 2.2, 2.5 and 2.6	
Problem 2.3, the check referred to from Problem 1.2 was dated January 31.	
Problem 2.4, disregard reference to Reg. CC	
<b>Assignment 3 Collection of Checks</b>	46
Add page titled “Liability Under Regulation CC” is optional, but	51-72
note there is a private right of action for violations of Reg. CC.	
Add 34-36	
<b>Assignment 4 Risk of Loss in the Checking System</b>	87-100
P. 100, omit Problem 4.1	Add 37-41
<b>Assignment 5 Risk of Loss-Special Rules</b>	103-119
P. 119, omit <u>Meng</u>	122-124
Re: <u>Cable Cast</u> case, we will not dwell on the §3-307 issue.	Add 42-49
Omit Problems 5.1, 5.2.e and 5.3	
In Add, page titled “The Repeater Rule” is optional. It will not be discussed.	
<b>Assignment 6 Truncation and Check 21</b>	125-133
P. 133, omit Problem Set	Add 50-63
In Statutory Supplement, Check 21 Act begins on p.1023. Also look at	
Reg. CC, §229.2(ccc) and Reg. CC, Subpart D.	
In Add, “Assignment 6 Problem Set,” Problem 2.B: compare “transfer”	
in UCC 3-203(a) with Reg. CC, § 229.2(ccc).	
<b>Chapter 2 Other Consumer Payment Systems</b>	
<b>Assignment 9 Debit Cards and Other Electronic Fund Transfers</b>	184-197
P. 193, last ¶. Visit Visa and MasterCard’s web sites to verify accuracy	200
of casebook’s description of card issuer’s policy. <a href="http://www.visa.com">www.visa.com</a> &	Add 64-69
<a href="http://www.mastercard.com">www.mastercard.com</a>	
P. 197, omit <i>Heritage</i> case	
Problem 9.1, compare Cliff’s liability if a thief steals and uses his checks	
with his liability for unauthorized use of his debit card. See Reg. E,	
§§ 205.6(b) & 205.11, Statutory Supp., pp. 1142-43, 1146.	
Omit Problem 9.2.	
Additional Materials memo “Electronic Fund Transfer Consumer Liability Limitations”	
illustrates the application of Reg. E rules to unauthorized transfers; we will not	
examine those pages in class.	

**Assignment 10 ACH Transfers** 205-221  
Read pp. 205-212 for background, especially pp. 206-207 on terminology.

Add  
70-76

In class the Instructor will clarify the discussion of stop payment and unauthorized transfers on pp. 211-12 & then we will discuss the material starting with the *Security First* case on p. 212.

We will not engage in an in-depth examination of the NACHA Rules; just be familiar with the general scheme as described in the casebook & our class discussion. The NACHA rules are in the Statutory Supplement beginning on p. 1236. P. 221, omit Problem

**Assignment 7 The Credit Card System** 137-158

Page 142, 1<sup>st</sup> full ¶, 5<sup>th</sup> sentence should say: “Although the details depend on the particular agreement, the acquirer ordinarily gives a provisional credit to the merchant’s account for the charges processed that day.”

Omit Problems 7.3 & 7.4

You are responsible only for the material you need to know to answer Problems 7.1 & 7.2. The rest of the assigned material is for background.

**Assignment 8 Error and Fraud in Credit Card Transactions** 160-161

P. 161, omit the *Belmont* case

170-181

P. 170, ¶ just before Section B, erroneously refers to Assignment 6.

The correct reference is to Assignment 7.

Problem 8.2: See p. 142, last full ¶ and pp. 147-48, discussing cross-border transactions.

Omit Problem 8.3

**Assignment 16 Stored Value Cards** 328-332  
Add 77-83

**Sample Exam** Add 84-85

### MISCELLANEOUS (BUT IMPORTANT)

Course Objectives Gain an understanding of the rules, concepts, and policies of the law of payment systems as well as the business and technological context in which the law operates.

Attendance Regular attendance is required. In the event a student has more than four unexcused absences, the Instructor, in his discretion, may deduct points

from the final grade or require a forced withdrawal from the course.

Prerequisites	Completion of all first year full-time courses.
Exam and Grading	Students are required to take a three hour exam. Students may take into the exam the case book, statutory supplement, additional materials, materials posted on Professor Budnitz' course web site, handouts, student notes and student outlines prepared this semester. Students may not bring into the exam any commercial texts which are not assigned, nutshells, hornbooks, or the like. This prohibition includes scanning or downloading third party material and incorporating it into material you bring to the exam. You should print the material on the course web site such as the Additional Materials and handouts so you can take them with you into the exam. <b>DO NOT WAIT UNTIL THE DAYS IMMEDIATELY PRECEDING THE EXAM TO PRINT THIS MATERIAL.</b> In past years, the COL course web sites have not been operational due to technical problems in the days before the exam, preventing students who waited until that time from printing the course materials.
Make-up Exam	Arranged through the Office of the Associate Dean in accordance with policies stated in the College of Law Bulletin.
Office Hours	Mondays and Wednesdays, 1:30 to 4:00. Tuesdays and Thursdays, 11:00 to noon. Professor Budnitz also is available at other times if necessary; call or e-mail to make an appointment. Professor Budnitz' phone number is (404) 413-9155; e-mail <a href="mailto:mbudnitz@gsu.edu">mbudnitz@gsu.edu</a> .
Caveat	The course syllabus provides a general plan for the course; deviation may be necessary. There will be additional material assigned. Students should check the course Web site on a regular basis for important changes in the class schedule, changes in assignments, etc.