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# Payment Systems: Examples and Explanations, 4th ed

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## Payment Systems

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Fourth Edition

## James Brook

Professor of Law
New York Law School



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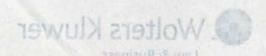
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I start with a simple assumption. You come to this book because for one reason or another you want to learn the basic law covering modern payment systems as those systems are governed by Articles 3, 4, and 4A of the Uniform Commercial Code and various federal regulations. Most likely you are in a course — either a course devoted distinctly to payment systems (also sometimes called "negotiable instruments") or a more expansive survey course in commercial transactions that will necessarily devote a great deal of time to the subject. This book may have been assigned or recommended as additional reading by the professor teaching the course, or you may have come to it on your own as a means of review. You may find it helpful to think of it as a kind of workbook, giving you an organized way of working through the various sections, definitions, concepts, and controversies that make up the modern law of payment systems as set forth in the Uniform Commercial Code and a series of federal regulations.

This volume is not a substitute for having your own copy of the Uniform Commercial Code (including Official Comments) and the relevant regulations. I quote from these sources from time to time. At other points I simply suggest that you "recall the rule of §4-401(a)" or "look to §3-104(c)." The law you are learning is to be found in, not merely suggested by or illustrated through, the exact language of the Uniform Commercial Code, as it has been enacted into law by the states and by particular federal regulations. I assume throughout that as you work through these chapters you will always have at your side and at the ready the primary texts for the study of the law of payment systems: the Code itself and the necessary federal regulations.

The general organization and sequence of chapters follows a fairly standard order in which these topics are taken up in courses on payment systems, although different professors may vary in how they work through the material. If this book has been assigned or recommended by your professor, you will want to follow his or her instructions about what chapters to look at when and which Examples to do and which to leave for another day. If you are working your way through the book on your own and trying to coordinate it with your course, you will be able to navigate using the chapter headings, the Table of U.C.C. Citations, and the index.

Each chapter is structured in the same way: Introductory text is followed by a set of Examples and then by my Explanations of the questions asked and the issues raised in the Examples. You will obviously only get the maximum benefit out of using this book by first working through the Examples thoroughly on your own. You may want to write out a detailed and carefully constructed answer to each problem. I recommend that you at least jot down what you believe to be the correct answer or what you see as the central issue being presented, and how your reading of the primary materials suggests it should be handled.

One final note on the Examples: It will not surprise you if, when you get to my analysis in the Explanations, you find I do not always offer a simple yes or no. This subject, like any other you have already studied, has its irresolvable questions and "subtle" difficulties—places where the U.C.C. provisions or federal regulations seem to be of little or no help. On the other hand, don't think that just because this is the study of law that the answer to even the simplest question must necessarily be open to argument or subject to competing analyses. Sometimes, perhaps most of the time, a question can and indeed should be answered in a word or two, directly and without hedging. If the answer is yes, you should say yes. If no, say no. Beyond that, of course, you should go on to say why you respond as you do—citing the Code or regulation, chapter and verse.

I hope that you find this book to be both helpful and enjoyable.

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James Brook

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