

(A) with respect to a check handled for forward collection, draws the check on a consumer account; or

(B) with respect to a check handled for return, deposits the check into, or cashes the check against, a consumer account.

**(8) Consumer account**

The term “consumer account” has the same meaning as in section 4001(10) of this title.

**(9) Customer**

The term “customer” means a person having an account with a bank.

**(10) Forward collection**

The term “forward collection” means the transfer by a bank of a check to a collecting bank for settlement or the paying bank for payment.

**(11) Indemnifying bank**

The term “indemnifying bank” means a bank that is providing an indemnity under section 5005 of this title with respect to a substitute check.

**(12) MICR line**

The terms “MICR line” and “magnetic ink character recognition line” mean the numbers, which may include the bank routing number, account number, check number, check amount, and other information, that are printed near the bottom of a check in magnetic ink in accordance with generally applicable industry standards.

**(13) Noncash item**

The term “noncash item” has the same meaning as in section 4001(14) of this title.

**(14) Person**

The term “person” means a natural person, corporation, unincorporated company, partnership, government unit or instrumentality, trust, or any other entity or organization.

**(15) Reconverting bank**

The term “reconverting bank” means—

(A) the bank that creates a substitute check; or

(B) if a substitute check is created by a person other than a bank, the first bank that transfers or presents such substitute check.

**(16) Substitute check**

The term “substitute check” means a paper reproduction of the original check that—

(A) contains an image of the front and back of the original check;

(B) bears a MICR line containing all the information appearing on the MICR line of the original check, except as provided under generally applicable industry standards for substitute checks to facilitate the processing of substitute checks;

(C) conforms, in paper stock, dimension, and otherwise, with generally applicable industry standards for substitute checks; and

(D) is suitable for automated processing in the same manner as the original check.

**(17) State**

The term “State” has the same meaning as in section 1813(a) of this title.

**(18) Truncate**

The term “truncate” means to remove an original paper check from the check collection or return process and send to a recipient, in lieu of such original paper check, a substitute check or, by agreement, information relating to the original check (including data taken from the MICR line of the original check or an electronic image of the original check), whether with or without subsequent delivery of the original paper check.

**(19) Uniform Commercial Code**

The term “Uniform Commercial Code” means the Uniform Commercial Code in effect in a State.

**(20) Other terms**

Unless the context requires otherwise, the terms not defined in this section shall have the same meanings as in the Uniform Commercial Code.

(Pub. L. 108-100, §3, Oct. 28, 2003, 117 Stat. 1178.)

REFERENCES IN TEXT

This chapter, referred to in text, was in the original “this Act”, meaning Pub. L. 108-100, Oct. 28, 2003, 117 Stat. 1177, which is classified generally to this chapter. For complete classification of this Act to the Code, see Short Title note set out under section 5001 of this title and Tables.

EFFECTIVE DATE

Section effective at the end of the 12-month period beginning on Oct. 28, 2003, see section 20 of Pub. L. 108-100, set out as a note under section 5001 of this title.

**§ 5003. General provisions governing substitute checks**

**(a) No agreement required**

A person may deposit, present, or send for collection or return a substitute check without an agreement with the recipient, so long as a bank has made the warranties in section 5004 of this title with respect to such substitute check.

**(b) Legal equivalence**

A substitute check shall be the legal equivalent of the original check for all purposes, including any provision of any Federal or State law, and for all persons if the substitute check—

(1) accurately represents all of the information on the front and back of the original check as of the time the original check was truncated; and

(2) bears the legend: “This is a legal copy of your check. You can use it the same way you would use the original check.”

**(c) Endorsements**

A bank shall ensure that the substitute check for which the bank is the reconverting bank bears all endorsements applied by parties that previously handled the check (whether in electronic form or in the form of the original paper check or a substitute check) for forward collection or return.

**(d) Identification of reconverting bank**

A bank shall identify itself as a reconverting bank on any substitute check for which the bank is a reconverting bank so as to preserve

any previous reconverting bank identifications in conformance with generally applicable industry standards.

**(e) Applicable law**

A substitute check that is the legal equivalent of the original check under subsection (b) shall be subject to any provision, including any provision relating to the protection of customers, of part 229 of title 12 of the Code of Federal Regulations, the Uniform Commercial Code, and any other applicable Federal or State law as if such substitute check were the original check, to the extent such provision of law is not inconsistent with this chapter.

(Pub. L. 108-100, § 4, Oct. 28, 2003, 117 Stat. 1180.)

REFERENCES IN TEXT

This chapter, referred to in subsec. (e), was in the original “this Act”, meaning Pub. L. 108-100, Oct. 28, 2003, 117 Stat. 1177, which is classified generally to this chapter. For complete classification of this Act to the Code, see Short Title note set out under section 5001 of this title and Tables.

EFFECTIVE DATE

Section effective at the end of the 12-month period beginning on Oct. 28, 2003, see section 20 of Pub. L. 108-100, set out as a note under section 5001 of this title.

**§ 5004. Substitute check warranties**

A bank that transfers, presents, or returns a substitute check and receives consideration for the check warrants, as a matter of law, to the transferee, any subsequent collecting or returning bank, the depository bank, the drawee, the drawer, the payee, the depositor, and any endorser (regardless of whether the warrantee receives the substitute check or another paper or electronic form of the substitute check or original check) that—

(1) the substitute check meets all the requirements for legal equivalence under section 5003(b) of this title; and

(2) no depository bank, drawee, drawer, or endorser will receive presentment or return of the substitute check, the original check, or a copy or other paper or electronic version of the substitute check or original check such that the bank, drawee, drawer, or endorser will be asked to make a payment based on a check that the bank, drawee, drawer, or endorser has already paid.

(Pub. L. 108-100, § 5, Oct. 28, 2003, 117 Stat. 1181.)

EFFECTIVE DATE

Section effective at the end of the 12-month period beginning on Oct. 28, 2003, see section 20 of Pub. L. 108-100, set out as a note under section 5001 of this title.

**§ 5005. Indemnity**

**(a) Indemnity**

A reconverting bank and each bank that subsequently transfers, presents, or returns a substitute check in any electronic or paper form, and receives consideration for such transfer, presentment, or return shall indemnify the transferee, any subsequent collecting or returning bank, the depository bank, the drawee, the drawer, the payee, the depositor, and any endorser, up to the amount described in sub-

sections (b) and (c), as applicable, to the extent of any loss incurred by any recipient of a substitute check if that loss occurred due to the receipt of a substitute check instead of the original check.

**(b) Indemnity amount**

**(1) Amount in event of breach of warranty**

The amount of the indemnity under subsection (a) shall be the amount of any loss (including costs and reasonable attorney’s fees and other expenses of representation) proximately caused by a breach of a warranty provided under section 5004 of this title.

**(2) Amount in absence of breach of warranty**

In the absence of a breach of a warranty provided under section 5004 of this title, the amount of the indemnity under subsection (a) shall be the sum of—

(A) the amount of any loss, up to the amount of the substitute check; and

(B) interest and expenses (including costs and reasonable attorney’s fees and other expenses of representation).

**(c) Comparative negligence**

**(1) In general**

If a loss described in subsection (a) results in whole or in part from the negligence or failure to act in good faith on the part of an indemnified party, then that party’s indemnification under this section shall be reduced in proportion to the amount of negligence or bad faith attributable to that party.

**(2) Rule of construction**

Nothing in this subsection reduces the rights of a consumer or any other person under the Uniform Commercial Code or other applicable provision of Federal or State law.

**(d) Effect of producing original check or copy**

**(1) In general**

If the indemnifying bank produces the original check or a copy of the original check (including an image or a substitute check) that accurately represents all of the information on the front and back of the original check (as of the time the original check was truncated) or is otherwise sufficient to determine whether or not a claim is valid, the indemnifying bank shall—

(A) be liable under this section only for losses covered by the indemnity that are incurred up to the time that the original check or copy is provided to the indemnified party; and

(B) have a right to the return of any funds it has paid under the indemnity in excess of those losses.

**(2) Coordination of indemnity with implied warranty**

The production of the original check, a substitute check, or a copy under paragraph (1) by an indemnifying bank shall not absolve the bank from any liability on a warranty established under this chapter or any other provision of law.