



State of Wisconsin
2027 - 2028 LEGISLATURE

LRB-0372/P1

ARG:cdc

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT *to repeal*** 401.201 (2) (f) 1. and 2., 403.401 (2), 405.104 (1) and (2),
2 407.102 (1) (j) and (L), 409.102 (1) (bm), 409.102 (1) (hm), 409.102 (1) (sg),
3 409.102 (1) (tg), 409.208 (2) (c) 1., 2. and 3., 409.208 (2) (f) 1., 2. and 3., 409.613
4 (1) (title), (2) (title), (3) (title), (4) (title) and (5) (title) and 409.614 (1) (title), (2)
5 (title), (3) (title), (4) (title), (5) (title) and (6) (title); ***to renumber*** 403.401 (1),
6 409.406 (4) and 409.408 (1); ***to renumber and amend*** 401.201 (2) (f) (intro.),
7 402.102, 403.105 (1), 405.104 (intro.), 408.106 (4) (c), 409.102 (1) (ag), 409.208
8 (2) (c) (intro.), 409.208 (2) (f) (intro.), 409.605, 409.613, 409.614 and 411.102;
9 ***to amend*** 99.05 (1), 129.04, 137.12 (2) (b), 137.24 (4), 137.24 (5), 401.101 (1),
10 401.102, 401.103 (1) (intro.), 401.103 (2), 401.104, 401.106 (intro.), 401.107,
11 401.201 (1), 401.201 (2) (intro.), 401.201 (2) (g), 401.201 (2) (hm), 401.201 (2)
12 (km) 2., 401.201 (2) (km) 3., 401.201 (2) (m), 401.201 (2) (n), 401.201 (2) (nm),
13 401.201 (2) (tm), 401.204 (intro.), 401.205 (1), 401.301 (2), 401.301 (3) (intro.),

BILL

1 401.302 (1), 401.302 (2), 401.302 (3), 401.304, 401.305 (1), 401.305 (2),
2 401.306, 402.106 (title), 402.201 (1) and (2), 402.202 (intro.) and (2), 402.203,
3 402.205, 402.207 (3), 402.209 (2), 402.401 (1), 402.719 (2), 402.725 (4), 403.604
4 (1) (intro.) and (b), 404.109 (1) and (2), 405.116 (1), 405.116 (2), 407.106 (2)
5 (intro.) and (d), 407.202 (3), 408.102 (1) (f) 1., 408.102 (2) (intro.), 408.110 (5)
6 (a), 408.111, 408.303 (2), 409.102 (1) (am), 409.102 (1) (as) 1., 409.102 (1) (kg),
7 409.102 (1) (km), 409.102 (1) (Lm), 409.102 (1) (p), 409.102 (1) (qg), 409.104 (1)
8 (intro.), (a) and (b), 409.108 (2) (c), 409.108 (5) (intro.), 409.201 (1), 409.203 (2)
9 (c) 1., 409.203 (2) (c) 3., 409.203 (2) (c) 4., 409.204 (2) (intro.), 409.207 (3)
10 (intro.), 409.208 (2) (intro.) and (a), 409.208 (2) (d), 409.208 (2) (e), 409.209 (2),
11 409.210 (1) (b), (c) and (d), 409.210 (2) (a) and (b), 409.210 (3), 409.210 (4)
12 (intro.), 409.210 (5) (intro.), 409.301 (intro.) and (3) (intro.), 409.304 (1),
13 409.304 (2) (a), 409.305 (2) (a), 409.310 (2) (h), 409.312 (title), 409.312 (1),
14 409.312 (2) (b) and (c), 409.312 (5), 409.313 (1), 409.313 (3) (a) and (b), 409.313
15 (4), 409.314 (1), 409.314 (2), 409.314 (3) (intro.), 409.316 (title), 409.316 (1)
16 (intro.), 409.316 (6) (intro.), 409.317 (2), 409.317 (4), 409.323 (4) (intro.),
17 409.323 (6) (intro.), 409.324 (2) (b), 409.324 (4) (b), 409.330 (1) (a) and (b),
18 409.330 (2), 409.330 (6), 409.331 (title), 409.331 (1), 409.331 (2), 409.332 (1),
19 409.332 (2), 409.334 (6) (a), 409.341 (intro.), 409.404 (1) (b), 409.406 (1),
20 409.406 (2) (intro.), 409.406 (3), 409.406 (7), 409.408 (2), 409.408 (4) (intro.),
21 409.509 (1) (a), 409.509 (2) (intro.), 409.513 (2) (b), 409.513 (3) (intro.), 409.514
22 (3), 409.601 (2), 409.608 (1) (a) 3., 409.611 (1) (a), 409.611 (2), 409.611 (3)
23 (intro.) and (c) 1., 409.611 (5) (b) 2., 409.615 (1) (c) 1., 409.615 (1) (d), 409.616

BILL

1 (1) (a) (intro.), 409.616 (1) (b) 1., 409.616 (2) (a) 1., 409.616 (3) (intro.), 409.619
2 (1) (intro.), 409.620 (1) (b) (intro.), 409.620 (2) (a), 409.620 (3) (a), 409.620 (3)
3 (b) (intro.) and 3., 409.620 (6) (b), 409.621 (1) (a), 409.624 (1), (2) and (3),
4 409.628 (1) (intro.), 409.628 (2) (intro.), 410.103 (1) (c) (intro.), 410.201,
5 410.202 (2) (a) 2., 410.202 (2) (b), 410.202 (3) (b), 410.203 (1) (a), 410.207 (3)
6 (b), 410.208 (2) (b), 410.210 (1), 410.211 (1), 410.305 (3) and (4), 411.107,
7 411.201 (1) (b), 411.201 (3), 411.201 (5) (a), 411.202 (intro.) and (2), 411.203,
8 411.205, 411.208 (2), 421.103 (1), 421.103 (2), 421.103 (3), 425.209 (3), 425.209
9 (4), 618.42 (3) (a), 707.28 (2) (b), 779.97 (4) (a) 1., 779.97 (4) (b) and 909.02 (9);
10 **to repeal and recreate** 401.201 (2) (u), 409.102 (1) (cm) and 409.105; **to**
11 **create** 401.201 (2) (ig), 401.201 (2) (ub), 401.301 (3) (i), 402.102 (2), 402.106
12 (4m), 403.104 (1) (c) 4. and 5., 403.105 (1) (b), 403.604 (1m), 405.116 (2m),
13 407.106 (3), (4), (5), (6), (7), (8) and (9), 408.102 (2) (bd), (bf) and (bh), 408.103
14 (8), 408.106 (4) (c) 2., 408.106 (8) and (9), 408.110 (7), 409.102 (1) (bj) and (bk),
15 409.102 (1) (go) and (gq), 409.102 (1) (ho), 409.102 (1) (nk), 409.102 (1) (th),
16 409.102 (2) (di), (ng) and (nt), 409.104 (1) (d), 409.1055, 409.1072, 409.1075,
17 409.203 (2) (c) 5., 409.204 (2m), 409.208 (2) (g) and (h), 409.305 (1) (e),
18 409.3062, 409.3065, 409.310 (2) (hm), 409.312 (2) (d), 409.3145, 409.317 (6),
19 (7), (8) and (9), 409.3265, 409.332 (3), 409.406 (4) (am), 409.406 (12), 409.408
20 (1g), 409.605 (2m), 409.613 (1m) (title), 409.613 (2m), 409.614 (1m) (title),
21 409.614 (2m), 409.628 (6), subchapter IX (title) of chapter 409 [precedes
22 409.902], 409.902, 409.903, 409.904, 409.905, 409.906, 409.907, 409.908,
23 411.102 (2), 411.103 (1) (hm) and chapter 412 of the statutes; **relating to:**

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- 1 adopting the Uniform Law Commission's 2022 amendments to the Uniform
2 Commercial Code.

Analysis by the Legislative Reference Bureau

This bill makes various changes to the Uniform Commercial Code (UCC) as enacted in Wisconsin. The UCC, developed by the Uniform Law Commission (ULC) in 1951, provides model legislation enacted in all states that standardizes the legal rules governing commercial transactions, debtor-creditor relationships, and other financial arrangements. Organized by topic into "articles," the UCC includes articles addressing the commercial sale or lease of goods, negotiable instruments, bank deposits and collections, letters of credit, documents of title, securities and investment property, secured transactions, and funds transfers. The bill adopts the 2022 UCC amendments approved by the ULC, which updated the UCC to recognize emerging technologies and other legal developments. The bill enacts a new UCC article titled "controllable electronic records" and makes significant changes to the law on secured transactions, along with making other changes throughout the UCC to reflect the increasingly digitized nature of commerce. Among the changes, the bill addresses issues relating to negotiability and secured lending against digital assets such as virtual currency (cryptocurrency) and other electronic payment rights. The bill addresses only commercial law rules, not the regulation or taxation of digital assets or such matters as securities status or intellectual property rights associated with digital assets.

Digital asset transactions—controllable electronic records

The bill establishes certain legal rules governing transactions involving controllable electronic records. Current law defines "record" as information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form. The term therefore includes a document in printed or electronic form. The bill defines a "controllable electronic record" (CER) as a record stored in an electronic medium that can be subjected to control as follows: a person has control of a CER if the electronic record, a record attached to or logically associated with the electronic record, or a system in which the electronic record is recorded 1) gives the person a) power to avail itself of substantially all the benefit of the electronic record and b) exclusive power both to prevent others from availing themselves of that benefit and to transfer control of the electronic record to another person or cause another person to obtain control and 2) enables the person readily to identify itself, including by name, number, or cryptographic key, as having these powers. The bill includes additional legal rules for determining whether a person has control of a CER and for assessing if a power is exclusive for purposes of that determination. Certain assets, which are generally dealt with

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separately in the UCC, are expressly excluded from the definition of CER, including electronic chattel paper, an electronic document of title, and electronic money.

As stated by the ULC, CERs include new types of digital assets, such as cryptocurrency, non-fungible tokens, electronic promises to pay, and other assets created using distributed ledger (blockchain) technology, along with similar assets developed in the future using other technologies. For a person to have control of a CER, the person must have the power to enjoy substantially all the benefit of the CER; the exclusive power to prevent others from enjoying substantially all the benefit of the CER; and the exclusive power to transfer control or to cause another person to obtain control of the CER. Moreover, the person must be able to readily identify itself to a third party as the person having these powers, although identification can be made by account number or cryptographic key rather than by name. The exclusivity requirement is generally satisfied even if there is a sharing of powers through a multisignature arrangement or changes occur automatically as part of the protocol built into the system in which the CER is recorded. The ULC states that the concept of control for a CER like cryptocurrency, an intangible asset, is analogous to possession of a tangible asset; the person with control has the power to spend the intangible asset by transferring it to another person in exchange for goods or services and the power to prevent anyone else from doing so. For example, a customer of a cryptocurrency exchange may not hold the cryptocurrency directly but has control of the electronic “wallet” containing the customer’s cryptocurrency held by the exchange.

The bill establishes legal rules relating to the acquisition and purchase of rights in a CER. Among these, a purchaser of a CER acquires all rights in the CER that the transferor had or had power to transfer. A qualifying purchaser acquires rights in the CER free of a claim of a property right in the CER. A “qualifying purchaser” is defined as a purchaser of a CER that obtains control of the CER for value, in good faith, and without notice of a claim of a property right in the CER. According to the ULC, this legal rule for qualifying purchasers, commonly known as a “take-free” rule, protects innocent parties who receive digital assets that are later revealed to be subject to competing property claims.

Digital asset transactions—controllable accounts and controllable payment intangibles

The bill establishes certain legal rules governing transactions involving controllable accounts and controllable payment intangibles. Under current law, an “account” is generally defined as a right to payment of a monetary obligation—typically, an amount owed to a person who has provided services or property to another. The recipient of the services or property, and payment obligor, is referred to as the “account debtor.” However, an account does not include certain payment rights covered by other UCC provisions. Under the bill, a “controllable account” is defined as an account evidenced by a CER that provides that the account debtor undertakes to pay the person that has control of the CER.

Under current law, a “payment intangible” is defined as a general intangible

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(which includes personal property such as software) under which the principal obligation of the person obligated (the “account debtor”) is a monetary obligation—typically, an obligation associated with the sale of intellectual property rights, loan participations, or other payment streams such as annuities or structured legal settlements. Under the bill, a “controllable payment intangible” is defined as a payment intangible evidenced by a CER that provides that the account debtor undertakes to pay the person that has control of the CER.

Generally, the bill establishes the same legal rules relating to the acquisition and purchase of rights in a controllable account or controllable payment intangible as it does for a CER (as discussed above). However, to determine whether a purchaser of a controllable account or a controllable payment intangible is a qualifying purchaser, the bill provides that the purchaser obtains control of the account or payment intangible if it obtains control of the CER that evidences the account or payment intangible. In addition, the bill establishes legal rules for an account debtor’s discharge of its obligation on a controllable account or controllable payment intangible. An account debtor on a controllable account or controllable payment intangible may discharge its obligation by paying the person having control of the CER that evidences the controllable account or controllable payment intangible or, subject to exceptions, by paying a person that formerly had control of the CER. The account debtor may not discharge its obligation by paying a person that formerly had control of the CER if the account debtor receives a notification meeting various requirements and notifying the account debtor of the transfer of control of the CER evidencing the controllable account or controllable payment intangible (often referred to as a “deflection notification”).

According to the ULC, the electronic payment rights embedded in a controllable account or controllable payment intangible are in effect the functional equivalent of an electronic promissory note and, if certain requirements are met, an electronic negotiable instrument. Under current law, which remains unchanged by the bill, both a negotiable instrument and a promissory note (which is generally a type of negotiable instrument) must be in writing.

Electronic money

The bill creates definitions of “tangible money” and “electronic money,” which mean, respectively, money in tangible form or electronic form. However, electronic money includes only virtual currency authorized or adopted by a government (fiat currency), not cryptocurrency. The bill also excludes from the definition of money, applicable throughout the UCC, an existing cryptocurrency that has been adopted by a country as a form of fiat currency. The bill establishes legal rules for when a person has control of electronic money, which are similar to the legal rules for determining when a person has control of a CER.

Security interests, including in digital assets

Current Wisconsin law incorporates UCC article 9, “Secured Transactions,” which governs transactions that involve the granting of credit secured by the

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personal property of a debtor. The creditor's interest is called a "security interest." If the debtor defaults, the creditor may repossess and sell the property (generally called "collateral") to satisfy the debt. UCC article 9 regulates the creation and enforcement of security interests in movable property (goods) and intangible property but not in real property. The two key events in creating a security interest are "attachment" and "perfection." Attachment generally occurs when the security interest becomes effective and enforceable between the creditor and the debtor, which usually happens when their agreement provides that it take place. Perfection is a creditor's means of establishing its "priority" in relation to other creditors of the debtor in the same collateral. The creditor with priority may use the collateral to satisfy the debtor's obligation when the debtor defaults before other creditors subsequent in priority may do so. Every secured creditor also has priority over any unsecured creditor. Perfection usually occurs when a creditor files a "financing statement" with the Department of Financial Institutions, and generally, the first creditor to file has first priority. However, filing a financing statement is not the only method for perfection. For some types of collateral, possession of the collateral by the secured party is an alternative method of perfection, and control of the collateral can sometimes provide a higher priority than filing, regardless of which security interest was first in time.

The bill makes numerous changes to Wisconsin's enacted UCC article 9, particularly with respect to the legal rules applicable to security interests in digital assets and other collateral that is not in a tangible form. The bill's changes include the following:

1. CERs, controllable accounts, and controllable payment intangibles. The bill establishes legal rules for the perfection and priority of a security interest in a CER, controllable account, and controllable payment intangible that are based on control of a CER rather than filing. Under the bill, a security interest in a CER may be perfected by control of the CER, within the meaning of "control" as described above. Similarly, a security interest in a controllable account or controllable payment intangible may be perfected by control of the CER evidencing the controllable account or controllable payment intangible. Although a security interest in a CER, controllable account, or controllable payment intangible can also be perfected by filing a financing statement, a security interest perfected by control has priority over a security interest in the CER perfected only by filing a financing statement.

The bill also establishes "take-free" rules for CERs, controllable accounts, and controllable payment intangibles. Under the bill, a buyer of a CER, controllable account, or controllable payment intangible takes free of a security interest if, without knowledge of the security interest and before it is perfected, the buyer gives value and obtains control of the CER, controllable account, or controllable payment intangible.

2. Electronic money. Under the bill, a security interest in electronic money can be perfected only by control of the electronic money. The bill also specifies that

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a transferee of electronic money takes the money free of a security interest if the transferee obtains control of the money without acting in collusion with the debtor in violating the rights of the secured party.

According to the ULC, the legal rule for perfection of a security interest in electronic money is similar to the current law rule for tangible money, which provides for perfection only by physical possession of the money.

3. Chattel paper. The bill revises the definition of chattel paper, removes separate definitions for electronic chattel paper and tangible chattel paper, and modifies provisions focusing exclusively on either electronic chattel paper or tangible chattel paper. Under the bill, “chattel paper” is defined as a right to payment of a monetary obligation either 1) secured by specific goods, if the right to payment and security agreement are evidenced by a record, or 2) owed by a lessee under a lease agreement with respect to specific goods, if the right to payment and lease agreement are evidenced by a record or the predominant purpose of the lease transaction was to give the lessee the right to possession and use of the goods. A common example of chattel paper is an installment sale contract, under which a buyer of goods on credit promises to pay the sale price and secures that promise with a security interest in the goods, such as a vehicle sale agreement (or the analogous lease agreement). The new definition of chattel paper also emphasizes that the term means a right to payment evidenced by a printed or electronic document rather than the document itself. The new definition, in 2 above, also contemplates “hybrid” lease transactions, which are discussed further below.

The bill revises the legal rules for determining when a purchaser has control of what is currently known as electronic chattel paper, distinguishing between authoritative electronic copies and nonauthoritative electronic copies. Under the bill, a purchaser has control of an authoritative electronic copy of a record evidencing chattel paper if a system employed for evidencing the assignment of interests in the chattel paper reliably establishes the purchaser as the person to which the authoritative electronic copy was assigned. The bill includes legal rules for determining when a system meets this requirement, with a difference in rules depending on whether there is one, or more than one, authoritative copy.

Under the bill, a security interest in chattel paper may be perfected by taking possession of each authoritative tangible copy of the chattel paper if the authoritative copies are in tangible form or by obtaining control of each authoritative electronic copy of the chattel paper if the authoritative copies of the chattel paper are in electronic form. Although a security interest in chattel paper can also be perfected by filing a financing statement, a security interest perfected by possession or control has priority over a security interest in the chattel paper perfected only by filing a financing statement.

The bill also revises the “take-free” rule for chattel paper. Under the bill, a purchaser of chattel paper generally has priority over a security interest in the chattel paper if the purchaser gives new value and takes possession of each authoritative tangible copy and control of each authoritative electronic copy of the

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chattel paper in good faith, in the ordinary course of the purchaser's business, and without knowledge that the purchase violates the rights of the secured party.

According to the ULC, many chattel paper transactions consist of both chattel paper in written form and chattel paper in electronic form and the written document is often converted to an electronic document and vice-versa, so the distinction between tangible and electronic chattel paper was removed.

4. Miscellaneous. The bill makes various other changes relating to UCC article 9, including the following:

The bill changes the definition of "good faith" to mean "honesty in fact and the observance of reasonable commercial standards of fair dealing." The bill also creates definitions to clarify the meaning of the terms "assignor" and "assignee."

The bill provides that a buyer of an electronic document of title takes free of a security interest in the document of title if, without knowledge of the security interest and before it is perfected, the buyer gives value and obtains control of each authoritative electronic copy of the document.

The bill allows a secured party to take control of a deposit account by having another person control the deposit account on behalf of the secured party.

The bill makes changes clarifying in certain respects the legal rules relating to a security interest in a commercial tort claim.

The bill makes changes to the form for notification of disposition of collateral and creates instructions for completing the notification form.

Negotiable instruments

Under current law, a "negotiable instrument" is generally defined as an unconditional written promise or order to pay a fixed amount of money if it is payable to bearer or to order; it is payable on demand or at a definite time; and it does not include any undertaking or require any other act in addition to the payment of money. A check is a common example of a negotiable instrument. Current law specifies that a person entitled to enforce a negotiable instrument may discharge the obligation of a party to pay the instrument by an intentional voluntary act, including destruction of the instrument.

The bill includes two provisions to facilitate the processing of electronic checks under federal banking regulations. First, the bill expands the definition of the term "issue" with respect to a negotiable instrument to allow, if agreed by the payee, an item (such as a check) to be issued by transmission of an image of the item and information describing the item if the image and information enables the depository bank to process the item as an electronic check under federal law. Second, a party's obligation to pay a check is not discharged solely by destruction of the check in connection with processing the check as an electronic check.

The bill also specifies that a negotiable instrument may include choice-of-law or choice-of-forum provisions identifying the law or forum governing any dispute over the negotiable instrument.

The bill does not change the requirement under current law that a negotiable instrument must be in writing and may not be in an electronic form.

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Under current law, a “document of title” means a tangible or electronic document that, in the regular course of business or financing, demonstrates the person who possesses or controls it is entitled to the goods identified in the document. Examples include a bill of lading for goods being shipped and a warehouse receipt for goods in storage. A person has control of an electronic document of title if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred. Current law includes legal rules for determining when a system satisfies these requirements and a person is considered to have control of an electronic document of title.

The bill changes the legal rules for determining control of an electronic document of title. Under the bill, a system satisfies the requirement above and a person has control of an electronic document of title if an authoritative electronic copy of the document, a record attached to or logically associated with the electronic copy, or a system in which the electronic copy is recorded satisfies all of the following:

1. It enables the person readily to identify each electronic copy as either an authoritative copy or a nonauthoritative copy.
2. It enables the person to readily identify itself in some way, such as by name, number, or cryptographic key, as the person to which each authoritative electronic copy was issued or transferred.
3. It gives the person exclusive power to prevent others from adding or changing the person to which each authoritative electronic copy has been issued or transferred and to transfer control of each authoritative electronic copy.

The bill provides additional legal rules for determining when a power is exclusive and when a person has control of an electronic document of title.

Hybrid transactions

Under current law, the UCC articles governing sales or leases apply to the sale or lease of goods but not to contracts for services. The bill creates new legal rules to clarify the scope of the UCC’s provisions in hybrid sales or lease transactions in which the parties have not agreed otherwise. In general, a hybrid transaction is one that involves either a sale or lease of goods and also involves the provision of services or a sale, lease, or license of other property. Generally, the UCC rules apply to a hybrid transaction if the sale or lease of goods is the predominant purpose of the transaction. However, if the sale of services or provision of other property predominates, the UCC rules apply only to aspects of the transaction that involve the sale or lease of goods.

Governing law

Current law provisions of the UCC, generally referred to as choice-of-law rules, provide legal rules for determining, in interstate or international transactions, which jurisdiction’s (state’s or nation’s) laws apply. For example, with

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respect to security interests under UCC article 9, it is possible for issues of perfection and priority to be determined by the law of the jurisdiction where the debtor is located, by the law of the jurisdiction where tangible collateral is located, or by other legal rules.

The bill creates new choice-of-law rules for certain types of assets, most notably digital assets. In general, the law of a CER's jurisdiction governs a matter to which UCC CER provisions apply. The following rules, in their order of application, are used to determine a CER's jurisdiction; in other words, the rule under 3 is applied only if the rules under 1 and 2 are not applicable:

1. If the CER, or a record attached to or logically associated with the CER and readily available for review, expressly provides that a particular jurisdiction is the CER's jurisdiction, that jurisdiction is the CER's jurisdiction.

2. If the rules of the system in which the CER is recorded are readily available for review and expressly provide that a particular jurisdiction is the CER's jurisdiction, that jurisdiction is the CER's jurisdiction.

3. If the CER, or a record attached to or logically associated with the CER and readily available for review, expressly provides that the CER is governed by the law of a particular jurisdiction, that jurisdiction is the CER's jurisdiction.

4. If the rules of the system in which the CER is recorded are readily available for review and expressly provide that the CER or the system is governed by the law of a particular jurisdiction, that jurisdiction is the CER's jurisdiction.

5. The CER's jurisdiction is the District of Columbia, applying the 2022 UCC amendment provisions regardless of whether the District of Columbia has enacted them.

The bill creates similar choice-of-law rules for security interests in chattel paper. If the security interest in the chattel paper is perfected by filing a financing statement, the law of the jurisdiction in which the debtor is located governs perfection but not priority. Otherwise, if chattel paper is evidenced only by an authoritative electronic copy of the chattel paper or is evidenced by an authoritative electronic copy and an authoritative tangible copy, the law of the chattel paper's jurisdiction governs perfection and priority. The bill includes legal rules for determining the chattel paper's jurisdiction that are similar to the rules for CERs described above if there is an authoritative electronic copy of the chattel paper, except that, if no other rules apply, the chattel paper's jurisdiction is the jurisdiction in which the debtor is located, rather than the District of Columbia. If there is an authoritative tangible copy of the chattel paper but not an authoritative electronic copy, the law of the jurisdiction where the authoritative tangible copy is located governs perfection by possession of the chattel paper and priority of the security interest.

The bill also specifies that legal rules for determining which jurisdiction's law governs apply even if the matter or transaction does not bear any relation to that jurisdiction.

According to the ULC, because digital assets have no physical location, the

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2022 UCC amendments allow the parties to a transaction involving digital assets to choose the law that applies to their transaction for commercial law purposes and incorporate the choice into their CER or the system in which the CER is recorded. The same approach is taken for chattel paper in electronic form but not for chattel paper in tangible form.

Current law defines a “letter of credit,” in part, as a financial institution’s definite undertaking to honor a documentary presentation by payment or delivery of an item of value—in essence, a guarantee of an obligor’s payment to another.

The bill clarifies legal rules for determining the jurisdiction and governing law applicable to a branch of a financial institution with respect to letters of credit. Under the bill, each branch of a financial institution is considered to be a separate financial institution located in the jurisdiction indicated in the branch’s undertaking.

Terminology changes

The bill makes numerous terminology changes throughout the UCC to reflect the increasing prevalence of digital commerce. For example, the term “writing” or “written” in many UCC provisions is changed to “record” or “evidenced by a record” to allow or recognize transaction documents and notifications in either paper or electronic format. Similarly, the term “sign” is redefined to include electronic signatures, the term “authenticate” (sometimes used under current law to mean “sign”) is discontinued, and the term “send” is redefined to apply to sending documents and notifications in both paper and electronic format. However, the bill does not allow all UCC documents to be electronic. For example, the bill does not change the requirement that a negotiable instrument be in writing. The bill also redefines the term “conspicuous” to remove specific examples of conspicuousness, to apply more broadly to paper and electronic agreements, and to require consideration of the totality of the circumstances.

Miscellaneous changes

The bill clarifies what constitutes a security procedure under the UCC article for funds transfers, specifying that symbols, sounds, and biometrics may constitute a security procedure but merely verifying an email address, IP address, or telephone number does not.

For purposes of the UCC article relating to investment securities, the bill modifies the legal rules for determining when a purchaser has control of a security entitlement by means of another person’s control. The bill also specifies that a CER, controllable account, or controllable payment intangible is not a financial asset under this article unless it is property that is held by a securities intermediary for another person in a securities account and the securities intermediary expressly agreed with the other person that the property is to be treated as a financial asset under the UCC.

In certain provisions of UCC article 9 relating to secured transactions, the bill

BILL**SECTION 1**

specifies that a promissory note includes a negotiable instrument that evidences chattel paper.

Transition rules

The bill includes transition provisions relating to the applicability of the bill's changes to security interests and digital asset transactions predating the bill's effective date. The bill provides for an "adjustment date" of roughly one year after the bill's effective date or July 1, 2029, whichever is later. According to the ULC, parties to a transaction retain their interests and priorities existing on the bill's effective date until the adjustment date, giving them an opportunity to renegotiate their transaction and preserve preestablished priorities and expectations before the new legal rules are applied.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 99.05 (1) of the statutes is amended to read:

2 99.05 (1) RECEIPTS. Public warehouse keepers, at the time goods are received
3 for storage, shall issue warehouse or storage receipts identifying goods placed in
4 storage and inform storers of all terms and conditions of storage and may, for this
5 purpose, use standard forms which are accepted in the warehousing industry and
6 comply with the requirements of chs. 401 to ~~411~~ 412 and this subchapter.

7 **SECTION 2.** 129.04 of the statutes is amended to read:

8 **129.04 Trust property, art dealer's creditors.** No property which is trust
9 property under s. 129.02 or 129.03 is subject to the claims, liens or security
10 interests of the creditors of the art dealer, notwithstanding chs. 401 to ~~411~~ 412.

11 **SECTION 3.** 137.12 (2) (b) of the statutes is amended to read:

12 137.12 (2) (b) Chapters 401 ~~and~~, 403 to 410, and 412, other than s. 401.306.

13 **SECTION 4.** 137.24 (4) of the statutes is amended to read:

14 137.24 (4) Except as otherwise agreed, a person having control of a
15 transferable record is the holder, as defined in s. 401.201 (2) (km), of the

BILL**SECTION 4**

1 transferable record and has the same rights and defenses as a holder of an
2 equivalent record or writing under chs. 401 to ~~411~~ 412, including, if the applicable
3 statutory requirements under s. 403.302 (1), 407.501, or 409.330 are satisfied, the
4 rights and defenses of a holder in due course, a holder to which a negotiable record
5 of title has been duly negotiated, or a purchaser, respectively. Delivery, possession,
6 and endorsement are not required to obtain or exercise any of the rights under this
7 subsection.

8 **SECTION 5.** 137.24 (5) of the statutes is amended to read:

9 137.24 (5) Except as otherwise agreed, an obligor under a transferable record
10 has the same rights and defenses as an equivalent obligor under equivalent records
11 or writings under chs. 401 to ~~411~~ 412.

12 **SECTION 6.** 401.101 (1) of the statutes is amended to read:

13 401.101 (1) Chapters 401 to ~~411~~ 412 may be cited as the uniform commercial
14 code.

15 **SECTION 7.** 401.102 of the statutes is amended to read:

16 **401.102 Scope of chapter.** This chapter applies to a transaction to the
17 extent that it is governed by another chapter in chs. 402 to ~~411~~ 412.

18 **SECTION 8.** 401.103 (1) (intro.) of the statutes is amended to read:

19 401.103 (1) (intro.) Chapters 401 to ~~411~~ 412 must be liberally construed and
20 applied to promote its underlying purposes and policies, which are all of the
21 following:

22 **SECTION 9.** 401.103 (2) of the statutes is amended to read:

23 401.103 (2) Unless displaced by the particular provisions of chs. 401 to ~~411~~

BILL**SECTION 9**

1 412, the principles of law and equity, including the law merchant and the law
2 relative to capacity to contract, principal and agent, estoppel, fraud,
3 misrepresentation, duress, coercion, mistake, bankruptcy, or other validating or
4 invalidating cause shall supplement its provisions.

5 **SECTION 10.** 401.104 of the statutes is amended to read:

6 **401.104 Construction against implied repeal.** Chapters 401 to ~~411~~ 412
7 being a general act intended as a unified coverage of its subject matter, no part of it
8 shall be deemed to be impliedly repealed by subsequent legislation if such
9 construction can reasonably be avoided.

10 **SECTION 11.** 401.106 (intro.) of the statutes is amended to read:

11 **401.106 Use of singular and plural; gender.** (intro.) In chs. 401 to ~~411~~
12 412, unless the statutory context otherwise requires, all of the following apply:

13 **SECTION 12.** 401.107 of the statutes is amended to read:

14 **401.107 Captions.** Section captions are part of chs. 401 to ~~411~~ 412,
15 notwithstanding s. 990.001 (6).

16 **SECTION 13.** 401.201 (1) of the statutes is amended to read:

17 401.201 (1) Unless the context otherwise requires, words or phrases defined
18 in this section, or in the additional definitions contained in chs. 402 to ~~411~~ 412 that
19 apply to particular chapters or subchapters thereof, have the meanings stated.

20 **SECTION 14.** 401.201 (2) (intro.) of the statutes is amended to read:

21 401.201 (2) (intro.) Subject to definitions contained in chs. 402 to ~~411~~ 412 that
22 apply to particular chapters or subchapters thereof, in chs. 401 to ~~411~~ 412:

BILL**SECTION 15**

1 **SECTION 15.** 401.201 (2) (f) (intro.) of the statutes is renumbered 401.201 (2)
2 (f) and amended to read:

3 401.201 (2) (f) “Conspicuous,” with reference to a term, means so written,
4 displayed, or presented that, based on the totality of the circumstances, a
5 reasonable person against which it is to operate ought to have noticed it. Whether
6 a term is “conspicuous” or not is a decision for the court. ~~Conspicuous terms include~~
7 ~~any of the following:~~

8 **SECTION 16.** 401.201 (2) (f) 1. and 2. of the statutes are repealed.

9 **SECTION 17.** 401.201 (2) (g) of the statutes is amended to read:

10 401.201 (2) (g) “Contract” means the total legal obligation that results from
11 the parties’ agreement as determined by chs. 401 to ~~411~~ 412 as supplemented by
12 any other applicable laws. (Compare “Agreement.”)

13 **SECTION 18.** 401.201 (2) (hm) of the statutes is amended to read:

14 401.201 (2) (hm) “Delivery,” with respect to electronic documents of title,
15 means voluntary transfer of control and, with respect to instruments, tangible
16 documents of title, authoritative tangible copies of records evidencing chattel paper,
17 or certificated securities means voluntary transfer of possession.

18 **SECTION 19.** 401.201 (2) (ig) of the statutes is created to read:

19 401.201 (2) (ig) “Electronic” means relating to technology having electrical,
20 digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

21 **SECTION 20.** 401.201 (2) (km) 2. of the statutes is amended to read:

22 401.201 (2) (km) 2. A person in possession of a negotiable tangible document

BILL**SECTION 20**

1 of title if the goods are deliverable either to bearer or to the order of the person in
2 possession.

3 **SECTION 21.** 401.201 (2) (km) 3. of the statutes is amended to read:

4 401.201 (2) (km) 3. A person in control, other than pursuant to s. 407.106 (7),
5 of a negotiable electronic document of title.

6 **SECTION 22.** 401.201 (2) (m) of the statutes is amended to read:

7 401.201 (2) (m) “Money” means a medium of exchange that is currently
8 authorized or adopted by a domestic or foreign government. The term includes a
9 monetary unit of account established by an intergovernmental organization or by
10 agreement between 2 or more countries. The term does not include an electronic
11 record that is a medium of exchange recorded and transferable in a system that
12 existed and operated for the medium of exchange before the medium of exchange
13 was authorized or adopted by the government.

14 **SECTION 23.** 401.201 (2) (n) of the statutes is amended to read:

15 401.201 (2) (n) “Party,” as distinct from a “3rd party,” means a person that has
16 engaged in a transaction or made an agreement subject to chs. 401 to ~~411~~ 412.

17 **SECTION 24.** 401.201 (2) (nm) of the statutes is amended to read:

18 401.201 (2) (nm) “Person” means an individual, corporation, business trust,
19 estate, trust, partnership, limited liability company, association, joint venture,
20 government, governmental subdivision, agency, or instrumentality, ~~public~~
21 ~~corporation~~, or any other legal or commercial entity. The term includes a protected
22 series, however denominated, of an entity if the protected series is established
23 under law other than chs. 401 to 412 that limits, or limits if conditions specified

BILL**SECTION 24**

1 under the law are satisfied, the ability of a creditor of the entity or of any other
2 protected series of the entity to satisfy a claim from assets of the protected series.

3 **SECTION 25.** 401.201 (2) (tm) of the statutes is amended to read:

4 401.201 (2) (tm) “Send,” in connection with a ~~writing~~, record, or ~~notice~~
5 notification, means any of the following:

6 1. To deposit in the mail ~~or~~, deliver for transmission, or transmit by any other
7 usual means of communication, with postage or cost of transmission provided for
8 ~~and properly addressed and, in the case of an instrument, to an address specified~~
9 ~~thereon or otherwise agreed, or if there be none, addressed~~ to any address
10 reasonable under the circumstances.

11 2. ~~In any other way to~~ To cause to be received any the record or ~~notice~~
12 notification to be received within the time it would have ~~arrived if properly sent~~
13 been received if properly sent under subd. 1.

14 **SECTION 26.** 401.201 (2) (u) of the statutes is repealed and recreated to read:

15 401.201 (2) (u) “Sign” means, with present intent to authenticate or adopt a
16 record, any of the following:

17 1. To execute or adopt a tangible symbol.

18 2. To attach to or logically associate with the record an electronic symbol,
19 sound, or process.

20 **SECTION 27.** 401.201 (2) (ub) of the statutes is created to read:

21 401.201 (2) (ub) “Signed,” “signing,” and “signature” have meanings
22 corresponding to sign.

23 **SECTION 28.** 401.204 (intro.) of the statutes is amended to read:

BILL**SECTION 28**

1 **401.204 Value.** (intro.) Except as otherwise provided in chs. 403, 404, ~~and~~
2 405, and 412, a person gives value for rights if the person acquires them under any
3 of the following circumstances:

4 **SECTION 29.** 401.205 (1) of the statutes is amended to read:

5 401.205 (1) Whether a time for taking an action required by chs. 401 to ~~411~~
6 412 is reasonable depends on the nature, purpose, and circumstances of the action.

7 **SECTION 30.** 401.301 (2) of the statutes is amended to read:

8 401.301 (2) In the absence of an agreement under sub. (1), and except as
9 provided in sub. (3), chs. 401 to ~~411~~ 412 apply to transactions bearing an
10 appropriate relation to this state.

11 **SECTION 31.** 401.301 (3) (intro.) of the statutes is amended to read:

12 401.301 (3) (intro.) If one of the following provisions of chs. 401 to ~~411~~ 412
13 specifies the applicable law, that provision governs and a contrary agreement is
14 effective only to the extent permitted by the law so specified:

15 **SECTION 32.** 401.301 (3) (i) of the statutes is created to read:

16 401.301 (3) (i) Section 412.107.

17 **SECTION 33.** 401.302 (1) of the statutes is amended to read:

18 401.302 (1) Except as otherwise provided in sub. (2) or elsewhere in chs. 401
19 to ~~411~~ 412, the effect of provisions of chs. 401 to ~~411~~ 412 may be varied by
20 agreement.

21 **SECTION 34.** 401.302 (2) of the statutes is amended to read:

22 401.302 (2) The obligations of good faith, diligence, reasonableness, and care
23 prescribed by chs. 401 to ~~411~~ 412 may not be disclaimed by agreement. The parties,

BILL**SECTION 34**

1 by agreement, may determine the standards by which the performance of those
2 obligations is to be measured if those standards are not manifestly unreasonable.
3 Whenever chs. 401 to ~~411~~ 412 require any action to be taken within a reasonable
4 time, any time which is not manifestly unreasonable may be fixed by agreement.

5 **SECTION 35.** 401.302 (3) of the statutes is amended to read:

6 401.302 (3) The presence in certain provisions of chs. 401 to ~~411~~ 412 of the
7 phrase “unless otherwise agreed,” or words of similar import, does not imply that
8 the effect of other provisions may not be varied by agreement under this section.

9 **SECTION 36.** 401.304 of the statutes is amended to read:

10 **401.304 Obligation of good faith.** Every contract or duty within chs. 401 to
11 ~~411~~ 412 imposes an obligation of good faith in its performance and enforcement.

12 **SECTION 37.** 401.305 (1) of the statutes is amended to read:

13 401.305 (1) The remedies provided by chs. 401 to ~~411~~ 412 must be liberally
14 administered to the end that the aggrieved party may be put in as good a position as
15 if the other party had fully performed but neither consequential or special damages
16 nor penal damages may be had except as specifically provided in chs. 401 to ~~411~~ 412
17 or by other rule of law.

18 **SECTION 38.** 401.305 (2) of the statutes is amended to read:

19 401.305 (2) Any right or obligation declared by chs. 401 to ~~411~~ 412 is
20 enforceable by action unless the provision declaring it specifies a different and
21 limited effect.

22 **SECTION 39.** 401.306 of the statutes is amended to read:

23 **401.306 Waiver or renunciation of claim or right after breach.** A claim

BILL**SECTION 39**

1 or right arising out of an alleged breach may be discharged in whole or in part
2 without consideration by agreement of the aggrieved party in ~~an authenticated a~~
3 signed record.

4 **SECTION 40.** 402.102 of the statutes is renumbered 402.102 (1) and amended
5 to read:

6 402.102 (1) Unless the context otherwise requires, and except as provided in
7 sub. (3), this chapter applies to transactions in goods; it and, in the case of a hybrid
8 transaction, it applies to the extent provided in sub. (2).

9 (3) This chapter does not apply to any transaction ~~which although that, even~~
10 though in the form of an unconditional contract to sell or present sale ~~is intended to~~
11 ~~operate, operates~~ only as to create a security ~~transaction~~ interest nor does this
12 chapter impair or repeal any statute regulating sales to consumers, farmers, or
13 other specified classes of buyers.

14 **SECTION 41.** 402.102 (2) of the statutes is created to read:

15 402.102 (2) (a) In a hybrid transaction, if the sale-of-goods aspects do not
16 predominate, only the provisions of this chapter which relate primarily to the sale-
17 of-goods aspects of the transaction apply, and the provisions that relate primarily to
18 the transaction as a whole do not apply.

19 (b) In a hybrid transaction, if the sale-of-goods aspects predominate, this
20 chapter applies to the transaction but does not preclude application in appropriate
21 circumstances of other law to aspects of the transaction which do not relate to the
22 sale of goods.

23 **SECTION 42.** 402.106 (title) of the statutes is amended to read:

BILL**SECTION 42**

1 **402.106** (title) **Definitions: “contract”; “agreement”; “contract for**
2 **sale”; “sale”; “present sale”; “conforming” to contract; “termination”;**
3 **“cancellation”; “hybrid transaction”.**

4 **SECTION 43.** 402.106 (4m) of the statutes is created to read:

5 402.106 (4m) “Hybrid transaction” means a single transaction involving a
6 sale of goods and any of the following:

7 (a) The provision of services.

8 (b) A lease of other goods.

9 (c) A sale, lease, or license of property other than goods.

10 **SECTION 44.** 402.201 (1) and (2) of the statutes are amended to read:

11 402.201 (1) Except as otherwise provided in this section a contract for the sale
12 of goods for the price of \$500 or more is not enforceable by way of action or defense
13 unless there is ~~some writing~~ a record sufficient to indicate that a contract for sale
14 has been made between the parties and signed by the party against whom
15 enforcement is sought or by the party’s authorized agent or broker. A ~~writing~~
16 record is not insufficient because it omits or incorrectly states a term agreed upon
17 but the contract is not enforceable under this subsection beyond the quantity of
18 goods shown in ~~such writing~~ the record.

19 (2) Between merchants if within a reasonable time a ~~writing~~ record in
20 confirmation of the contract and sufficient against the sender is received and the
21 party receiving it has reason to know its contents, it satisfies the requirements of
22 sub. (1) against ~~such~~ the party unless ~~written~~ notice in a record of objection to its
23 contents is given within 10 days after it is received.

BILL**SECTION 45**

1 **SECTION 45.** 402.202 (intro.) and (2) of the statutes are amended to read:

2 **402.202 Final ~~written~~ expression: parole or extrinsic evidence.** (intro.)

3 Terms with respect to which the confirmatory memoranda of the parties agree or
4 which are otherwise set forth in a ~~writing~~ record intended by the parties as a final
5 expression of their agreement with respect to such terms as are included therein
6 may not be contradicted by evidence of any prior agreement or of a
7 contemporaneous oral agreement but may be explained or supplemented:

8 (2) By evidence of consistent additional terms unless the court finds the
9 ~~writing~~ record to have been intended also as a complete and exclusive statement of
10 the terms of the agreement.

11 **SECTION 46.** 402.203 of the statutes is amended to read:

12 **402.203 Seals inoperative.** The affixing of a seal to a ~~writing~~ record
13 evidencing a contract for sale or an offer to buy or sell goods does not constitute the
14 ~~writing~~ record a sealed instrument and the law with respect to sealed instruments
15 does not apply to such a contract or offer.

16 **SECTION 47.** 402.205 of the statutes is amended to read:

17 **402.205 Firm offers.** An offer by a merchant to buy or sell goods in a signed
18 ~~writing~~ record which by its terms gives assurance that it will be held open is not
19 revocable, for lack of consideration, during the time stated or if no time is stated for
20 a reasonable time, but in no event may such period of irrevocability exceed 3
21 months; but any such term of assurance on a form supplied by the offeree must be
22 separately signed by the offeror.

23 **SECTION 48.** 402.207 (3) of the statutes is amended to read:

BILL**SECTION 48**

1 402.207 (3) Conduct by both parties which recognizes the existence of a
2 contract is sufficient to establish a contract for sale although the writings or other
3 record of the parties do not otherwise establish a contract. In such case the terms of
4 the particular contract consist of those terms on which the writings or other record
5 of the parties agree, together with any supplementary terms incorporated under
6 any other provisions of chs. 401 to ~~411~~ 412.

7 **SECTION 49.** 402.209 (2) of the statutes is amended to read:

8 402.209 (2) A signed agreement which excludes modification or rescission
9 except by a signed writing or other signed record cannot be otherwise modified or
10 rescinded, but except as between merchants such a requirement on a form supplied
11 by the merchant must be separately signed by the other party.

12 **SECTION 50.** 402.401 (1) of the statutes is amended to read:

13 402.401 (1) Title to goods cannot pass under a contract for sale prior to their
14 identification to the contract (s. 402.501), and unless otherwise explicitly agreed
15 the buyer acquires by their identification a special property as limited by chs. 401 to
16 ~~411~~ 412. Any retention or reservation by the seller of the title (property) in goods
17 shipped or delivered to the buyer is limited in effect to a reservation of a security
18 interest. Subject to these provisions and to ch. 409, title to goods passes from the
19 seller to the buyer in any manner and on any conditions explicitly agreed on by the
20 parties.

21 **SECTION 51.** 402.719 (2) of the statutes is amended to read:

22 402.719 (2) Where circumstances cause an exclusive or limited remedy to fail
23 of its essential purpose, remedy may be had as provided in chs. 401 to ~~411~~ 412.

BILL**SECTION 52**

1 **SECTION 52.** 402.725 (4) of the statutes is amended to read:

2 402.725 (4) This section does not alter the law on tolling of the statute of
3 limitations nor does it apply to causes of action which have accrued before chs. 401
4 to 409 or before ch. 410 ~~or~~, 411, or 412 became effective.

5 **SECTION 53.** 403.104 (1) (c) 4. and 5. of the statutes are created to read:

6 403.104 (1) (c) 4. A term that specifies the law that governs the promise or
7 order.

8 5. An undertaking to resolve in a specified forum a dispute concerning the
9 promise or order.

10 **SECTION 54.** 403.105 (1) of the statutes is renumbered 403.105 (1) (intro.) and
11 amended to read:

12 403.105 (1) (intro.) “Issue” means ~~the~~ any of the following:

13 (a) The first delivery of an instrument by the maker or drawer, whether to a
14 holder or nonholder, for the purpose of giving rights on the instrument to any
15 person.

16 **SECTION 55.** 403.105 (1) (b) of the statutes is created to read:

17 403.105 (1) (b) If agreed by the payee, the first transmission by the drawer to
18 the payee of an image of an item and information derived from the item that enables
19 the depositary bank to collect the item by transferring or presenting under federal
20 law an electronic check.

21 **SECTION 56.** 403.401 (1) of the statutes is renumbered 403.401.

22 **SECTION 57.** 403.401 (2) of the statutes is repealed.

23 **SECTION 58.** 403.604 (1) (intro.) and (b) of the statutes are amended to read:

BILL**SECTION 58**

1 403.604 (1) (intro.) ~~A~~ Subject to sub. (1m), a person entitled to enforce an
2 instrument, with or without consideration, may discharge the obligation of a party
3 to pay the instrument by doing any of the following:

4 (b) Agreeing not to sue or otherwise renouncing rights against the party by a
5 signed ~~writing~~ record.

6 **SECTION 59.** 403.604 (1m) of the statutes is created to read:

7 403.604 (1m) The obligation of a party to pay a check is not discharged solely
8 by destruction of the check in connection with a process in which information is
9 extracted from the check and an image of the check is made and, subsequently, the
10 information and image are transmitted for payment.

11 **SECTION 60.** 404.109 (1) and (2) of the statutes are amended to read:

12 404.109 (1) Unless otherwise instructed, a collecting bank in a good faith
13 effort to secure payment of a specific item drawn on a payer other than a bank, and
14 with or without the approval of any person involved, may waive, modify or extend
15 time limits imposed or permitted by chs. 401 to ~~411~~ 412 for a period not exceeding 2
16 additional banking days without discharge of drawers or endorsers or liability to its
17 transferor or a prior party.

18 (2) Delay by a collecting bank or payer bank beyond time limits prescribed or
19 permitted by chs. 401 to ~~411~~ 412 or by instructions is excused if the delay is caused
20 by interruption of communication or computer facilities, suspension of payments by
21 another bank, war, emergency conditions, failure of equipment or other
22 circumstances beyond the control of the bank and the bank exercises such diligence
23 as the circumstances require.

BILL**SECTION 61**

1 **SECTION 61.** 405.104 (intro.) of the statutes is renumbered 405.104 and
2 amended to read:

3 **405.104 Formal requirements.** A letter of credit, confirmation, advice,
4 transfer, amendment, or cancellation may be issued in any form that is a signed
5 record ~~and is authenticated by any of the following methods:~~

6 **SECTION 62.** 405.104 (1) and (2) of the statutes are repealed.

7 **SECTION 63.** 405.116 (1) of the statutes is amended to read:

8 405.116 (1) The liability of an issuer, nominated person, or adviser for action
9 or omission is governed by the law of the jurisdiction chosen by an agreement in the
10 form of a record signed ~~or otherwise authenticated~~ by the affected parties ~~in the~~
11 ~~manner provided in s. 405.104~~ or by a provision in the person's letter of credit,
12 confirmation, or other undertaking. The jurisdiction whose law is chosen need not
13 bear any relation to the transaction.

14 **SECTION 64.** 405.116 (2) of the statutes is amended to read:

15 405.116 (2) Unless sub. (1) applies, the liability of an issuer, nominated
16 person, or adviser for action or omission is governed by the law of the jurisdiction in
17 which the person is located. The person is considered to be located at the address
18 indicated in the person's undertaking. If more than one address is indicated, the
19 person is considered to be located at the address from which the person's
20 undertaking was issued.

21 **(2g)** For the purpose of jurisdiction, choice of law, and recognition of
22 interbranch letters of credit, but not enforcement of a judgment, all branches of a
23 bank are considered separate juridical entities and a bank is considered to be

BILL**SECTION 64**

1 located at the place where its relevant branch is considered to be located under ~~this~~
2 ~~subsection~~ sub. (2m).

3 **SECTION 65.** 405.116 (2m) of the statutes is created to read:

4 405.116 **(2m)** A branch of a bank is considered to be located at the address
5 indicated in the branch's undertaking. If more than one address is indicated, the
6 branch is considered to be located at the address from which the undertaking was
7 issued.

8 **SECTION 66.** 407.102 (1) (j) and (L) of the statutes are repealed.

9 **SECTION 67.** 407.106 (2) (intro.) and (d) of the statutes are amended to read:

10 407.106 **(2)** (intro.) A system satisfies sub. (1), and a person ~~is deemed to have~~
11 has control of an electronic document of title, if the document is created, stored, and
12 ~~assigned~~ transferred in ~~such~~ a manner that satisfies all of the following:

13 (d) Copies or amendments that add or change an identified ~~assignee~~
14 transferee of the authoritative copy can be made only with the consent of the person
15 asserting control.

16 **SECTION 68.** 407.106 (3), (4), (5), (6), (7), (8) and (9) of the statutes are created
17 to read:

18 407.106 **(3)** A system satisfies sub. (1), and a person has control of an
19 electronic document of title, if an authoritative electronic copy of the document, a
20 record attached to or logically associated with the electronic copy, or a system in
21 which the electronic copy is recorded satisfies all of the following:

22 (a) It enables the person readily to identify each electronic copy as either an
23 authoritative copy or a nonauthoritative copy.

BILL**SECTION 68**

1 (b) It enables the person readily to identify itself in any way, including by
2 name, identifying number, cryptographic key, office, or account number, as the
3 person to which each authoritative electronic copy was issued or transferred.

4 (c) It gives the person exclusive power, subject to sub. (4), to do all of the
5 following:

6 1. Prevent others from adding or changing the person to which each
7 authoritative electronic copy has been issued or transferred.

8 2. Transfer control of each authoritative electronic copy.

9 (4) Subject to sub. (5), a power is exclusive under sub. (3) (c) 1. and 2. even if
10 any of the following applies:

11 (a) The authoritative electronic copy, a record attached to or logically
12 associated with the authoritative electronic copy, or a system in which the
13 authoritative electronic copy is recorded limits the use of the document of title or
14 has a protocol that is programmed to cause a change, including a transfer or loss of
15 control.

16 (b) The power is shared with another person.

17 (5) A power of a person is not shared with another person under sub. (4) (b)
18 and the person's power is not exclusive if all of the following apply:

19 (a) The person can exercise the power only if the power also is exercised by the
20 other person.

21 (b) The other person can exercise the power without exercise of the power by
22 the person or the other person is the transferor to the person of an interest in the
23 document of title.

BILL**SECTION 68**

1 (6) If a person has the powers specified in sub. (3) (c) 1. and 2., the powers are
2 presumed to be exclusive.

3 (7) A person has control of an electronic document of title if any of the
4 following applies:

5 (a) Another person, other than the transferor to the person of an interest in
6 the document, has control of the document and acknowledges that it has control on
7 behalf of the person.

8 (b) Another person, other than the transferor to the person of an interest in
9 the document, obtains control of the document after having acknowledged that it
10 will obtain control of the document on behalf of the person.

11 (8) A person that has control under this section is not required to acknowledge
12 that it has control on behalf of another person.

13 (9) If a person acknowledges that it has or will obtain control on behalf of
14 another person, unless the person otherwise agrees or law other than this chapter
15 or ch. 409 otherwise provides, the person does not owe any duty to the other person
16 and is not required to confirm the acknowledgment to any other person.

17 **SECTION 69.** 407.202 (3) of the statutes is amended to read:

18 407.202 (3) A warehouse may insert in its receipt any terms that are not
19 contrary to chs. 401 to ~~411~~ 412 and do not impair its obligation of delivery under s.
20 407.403 or its duty of care under s. 407.204. Any contrary provisions are ineffective.

21 **SECTION 70.** 408.102 (1) (f) 1. of the statutes is amended to read:

22 408.102 (1) (f) 1. Send a signed ~~writing~~ record; or

23 **SECTION 71.** 408.102 (2) (intro.) of the statutes is amended to read:

BILL**SECTION 71**

1 408.102 (2) (intro.) ~~Other~~ The following definitions applying to in this chapter
2 and ~~the sections in which they appear are~~ chs. 409 and 412 apply to this chapter:

3 **SECTION 72.** 408.102 (2) (bd), (bf) and (bh) of the statutes are created to read:

4 408.102 (2) (bd) “Controllable account” — s. 409.102 (1) (go).

5 (bf) “Controllable electronic record” — s. 412.102 (1) (a).

6 (bh) “Controllable payment intangible” — s. 409.102 (1) (gq).

7 **SECTION 73.** 408.103 (8) of the statutes is created to read:

8 408.103 (8) A controllable account, controllable electronic record, or
9 controllable payment intangible is not a financial asset unless s. 408.102 (1) (i) 1. c.
10 applies.

11 **SECTION 74.** 408.106 (4) (c) of the statutes is renumbered 408.106 (4) (c) 1.
12 and amended to read:

13 408.106 (4) (c) 1. Another person, other than the transferor to the purchaser
14 of an interest in the security entitlement, has control of the security entitlement ~~on~~
15 ~~behalf of the purchaser or, having previously acquired control of the security~~
16 ~~entitlement,~~ and acknowledges that it has control on behalf of the purchaser.

17 **SECTION 75.** 408.106 (4) (c) 2. of the statutes is created to read:

18 408.106 (4) (c) 2. Another person, other than the transferor to the purchaser
19 of an interest in the security entitlement, obtains control of the security
20 entitlement after having acknowledged that it will obtain control of the security
21 entitlement on behalf of the purchaser.

22 **SECTION 76.** 408.106 (8) and (9) of the statutes are created to read:

BILL**SECTION 76**

1 408.106 (8) A person that has control under this section is not required to
2 acknowledge that it has control on behalf of a purchaser.

3 (9) If a person acknowledges that it has or will obtain control on behalf of a
4 purchaser, unless the person otherwise agrees or law other than this chapter or ch.
5 409 otherwise provides, the person does not owe any duty to the purchaser and is
6 not required to confirm the acknowledgment to any other person.

7 **SECTION 77.** 408.110 (5) (a) of the statutes is amended to read:

8 408.110 (5) (a) If an agreement between the securities intermediary and its
9 entitlement holder governing the securities account expressly provides that a
10 particular jurisdiction is the securities intermediary's jurisdiction for purposes of
11 this subchapter, this chapter, or chs. 401 to ~~411~~ 412, that jurisdiction is the
12 securities intermediary's jurisdiction.

13 **SECTION 78.** 408.110 (7) of the statutes is created to read:

14 408.110 (7) The local law of the issuer's jurisdiction or the securities
15 intermediary's jurisdiction governs a matter or transaction specified in sub. (1) or
16 (2) even if the matter or transaction does not bear any relation to the jurisdiction.

17 **SECTION 79.** 408.111 of the statutes is amended to read:

18 **408.111 Clearing corporation rules.** A rule adopted by a clearing
19 corporation governing rights and obligations among the clearing corporation and its
20 participants in the clearing corporation is effective even if the rule conflicts with
21 chs. 401 to ~~411~~ 412 and affects another party who does not consent to the rule.

22 **SECTION 80.** 408.303 (2) of the statutes is amended to read:

BILL**SECTION 80**

1 408.303 (2) ~~In addition to acquiring the rights of a purchaser, a~~ A protected
2 purchaser ~~also~~ acquires its interest in the security free of any adverse claim.

3 **SECTION 81.** 409.102 (1) (ag) of the statutes is renumbered 409.102 (1) (ag) 1.
4 (intro.) and amended to read:

5 409.102 (1) (ag) 1. (intro.) “Account,” except as used in “account for,” “account
6 statement,” “account to,” “commodity account” in par. (dg), “customer’s account,”
7 “deposit account” in par. (h), “on account of,” and “statement of account,” means a
8 right to payment of a monetary obligation, whether or not earned by performance;
9 ~~for, under any of the following circumstances:~~

10 a. For property that has been or is to be sold, leased, licensed, assigned, or
11 otherwise disposed of; ~~for.~~

12 b. For services rendered or to be rendered; ~~for.~~

13 c. For a policy of insurance issued or to be issued; ~~for.~~

14 d. For a secondary obligation incurred or to be incurred; ~~for.~~

15 e. For energy provided or to be provided; ~~for.~~

16 f. For the use or hire of a vessel under a charter or other contract; ~~arising.~~

17 g. Arising out of the use of a credit or charge card or information contained on
18 or for use with the card; ~~or as.~~

19 h. As winnings in a lottery or other game of chance operated or sponsored by
20 a state, governmental unit of a state, or person licensed or authorized to operate the
21 game by a state or governmental unit of a state. ~~The term~~

22 2. “Account” includes controllable accounts and health-care-insurance
23 receivables. ~~The term~~

BILL**SECTION 81**

1 3. “Account” does not include ~~rights to payment evidenced by chattel paper or~~
2 ~~an instrument~~; commercial tort claims; deposit accounts; investment property;
3 letter-of-credit rights or letters of credit; ~~or~~ rights to payment for money or funds
4 advanced or sold, other than rights arising out of the use of a credit or charge card
5 or information contained on or for use with the card; or rights to payment evidenced
6 by an instrument.

7 **SECTION 82.** 409.102 (1) (am) of the statutes is amended to read:

8 409.102 (1) (am) “Account debtor” means a person obligated on an account,
9 chattel paper, or general intangible. The term does not include persons obligated to
10 pay a negotiable instrument, even if the negotiable instrument ~~constitutes part of~~
11 evidences chattel paper.

12 **SECTION 83.** 409.102 (1) (as) 1. of the statutes is amended to read:

13 409.102 (1) (as) 1. ~~Authenticated~~ Signed by a secured party;

14 **SECTION 84.** 409.102 (1) (bj) and (bk) of the statutes are created to read:

15 409.102 (1) (bj) “Assignee,” except as used in “assignee for benefit of
16 creditors,” means a person in whose favor a security interest that secures an
17 obligation is created or provided for under a security agreement, whether or not the
18 obligation is outstanding, or a person to which an account, chattel paper, payment
19 intangible, or promissory note has been sold. The term includes a person to which
20 a security interest has been transferred by a secured party.

21 (bk) “Assignor” means a person that under a security agreement creates or
22 provides for a security interest that secures an obligation or a person that sells an

BILL**SECTION 84**

1 account, chattel paper, payment intangible, or promissory note. The term includes
2 a secured party that has transferred a security interest to another person.

3 **SECTION 85.** 409.102 (1) (bm) of the statutes is repealed.

4 **SECTION 86.** 409.102 (1) (cm) of the statutes is repealed and recreated to read:

5 409.102 (1) (cm) 1. "Chattel paper" means any of the following:

6 a. A right to payment of a monetary obligation secured by specific goods, if the
7 right to payment and security agreement are evidenced by a record.

8 b. A right to payment of a monetary obligation owed by a lessee under a lease
9 agreement with respect to specific goods and a monetary obligation owed by the
10 lessee in connection with the transaction giving rise to the lease, if the right to
11 payment and lease agreement are evidenced by a record or the predominant
12 purpose of the transaction giving rise to the lease was to give the lessee the right to
13 possession and use of the goods.

14 2. "Chattel paper" does not include a right to payment arising out of a charter
15 or other contract involving the use or hire of a vessel or a right to payment arising
16 out of the use of a credit or charge card or information contained on or for use with
17 the card.

18 **SECTION 87.** 409.102 (1) (go) and (gq) of the statutes are created to read:

19 409.102 (1) (go) "Controllable account" means an account evidenced by a
20 controllable electronic record that provides that the account debtor undertakes to
21 pay the person that has control under s. 412.105 of the controllable electronic
22 record.

23 (gq) "Controllable payment intangible" means a payment intangible

BILL**SECTION 87**

1 evidenced by a controllable electronic record that provides that the account debtor
2 undertakes to pay the person that has control under s. 412.105 of the controllable
3 electronic record.

4 **SECTION 88.** 409.102 (1) (hm) of the statutes is repealed.

5 **SECTION 89.** 409.102 (1) (ho) of the statutes is created to read:

6 409.102 (1) (ho) “Electronic money” means money in an electronic form.

7 **SECTION 90.** 409.102 (1) (kg) of the statutes is amended to read:

8 409.102 (1) (kg) “General intangible” means any personal property, including
9 things in action, other than accounts, chattel paper, commercial tort claims, deposit
10 accounts, documents, goods, instruments, investment property, letter-of-credit
11 rights, letters of credit, money, and oil, gas, or other minerals before extraction. The
12 term includes controllable electronic records, payment intangibles, and software.

13 **SECTION 91.** 409.102 (1) (km) of the statutes is amended to read:

14 409.102 (1) (km) “Good faith” means honesty in fact ~~in the conduct or~~
15 ~~transaction concerned~~ and the observance of reasonable commercial standards of
16 fair dealing.

17 **SECTION 92.** 409.102 (1) (Lm) of the statutes is amended to read:

18 409.102 (1) (Lm) “Instrument” means a negotiable instrument or any other
19 writing that evidences a right to the payment of a monetary obligation, is not itself
20 a security agreement or lease, and is of a type that in ordinary course of business is
21 transferred by delivery with any necessary endorsement or assignment. The term
22 does not include investment property; letters of credit; ~~or~~ writings that evidence a

BILL**SECTION 92**

1 right to payment arising out of the use of a credit or charge card or information
2 contained on or for use with the card; or writings that evidence chattel paper.

3 **SECTION 93.** 409.102 (1) (nk) of the statutes is created to read:

4 409.102 (1) (nk) “Money” has the meaning in s. 401.201 (2) (m), but does not
5 include a deposit account or money in an electronic form that cannot be subjected to
6 control under s. 409.1055.

7 **SECTION 94.** 409.102 (1) (p) of the statutes is amended to read:

8 409.102 (1) (p) “Payment intangible” means a general intangible under which
9 the account debtor’s principal obligation is a monetary obligation. The term
10 includes a controllable payment intangible.

11 **SECTION 95.** 409.102 (1) (qg) of the statutes is amended to read:

12 409.102 (1) (qg) “Proposal” means a record ~~authenticated~~ signed by a secured
13 party which includes the terms on which the secured party is willing to accept
14 collateral in full or partial satisfaction of the obligation it secures pursuant to ss.
15 409.620, 409.621, and 409.622.

16 **SECTION 96.** 409.102 (1) (sg) of the statutes is repealed.

17 **SECTION 97.** 409.102 (1) (tg) of the statutes is repealed.

18 **SECTION 98.** 409.102 (1) (th) of the statutes is created to read:

19 409.102 (1) (th) “Tangible money” means money in a tangible form.

20 **SECTION 99.** 409.102 (2) (di), (ng) and (nt) of the statutes are created to read:

21 409.102 (2) (di) “Controllable electronic record” — s. 412.102 (1) (a).

22 (ng) “Protected purchaser” — s. 408.303.

23 (nt) “Qualifying purchaser” — s. 412.102 (1) (b).

BILL**SECTION 100**

1 **SECTION 100.** 409.104 (1) (intro.), (a) and (b) of the statutes are amended to
2 read:

3 409.104 (1) REQUIREMENTS FOR CONTROL. (intro.) A secured party has
4 control of a deposit account if any of the following applies:

5 (a) The secured party is the bank with which the deposit account is
6 maintained;

7 (b) The debtor, secured party, and bank have agreed in ~~an authenticated~~ a
8 signed record that the bank will comply with instructions originated by the secured
9 party directing disposition of the funds in the deposit account without further
10 consent by the debtor;~~or.~~

11 **SECTION 101.** 409.104 (1) (d) of the statutes is created to read:

12 409.104 (1) (d) 1. Another person, other than the debtor, has control of the
13 deposit account and acknowledges that it has control on behalf of the secured party.

14 2. Another person, other than the debtor, obtains control of the deposit
15 account after having acknowledged that it will obtain control of the deposit account
16 on behalf of the secured party.

17 **SECTION 102.** 409.105 of the statutes is repealed and recreated to read:

18 **409.105 Control of electronic copy of record evidencing chattel paper.**

19 **(1) GENERAL RULE: CONTROL OF ELECTRONIC COPY OF RECORD EVIDENCING CHATTEL**
20 **PAPER.** A purchaser has control of an authoritative electronic copy of a record
21 evidencing chattel paper if a system employed for evidencing the assignment of
22 interests in the chattel paper reliably establishes the purchaser as the person to
23 which the authoritative electronic copy was assigned.

BILL**SECTION 102**

1 **(2) SINGLE AUTHORITATIVE COPY.** A system satisfies sub. (1) if the record or
2 records evidencing the chattel paper are created, stored, and assigned in a manner
3 that satisfies all of the following:

4 (a) A single authoritative copy of the record or records exists which is unique,
5 identifiable, and, except as otherwise provided in pars. (d), (e), and (f), unalterable.

6 (b) The authoritative copy identifies the purchaser as the assignee of the
7 record or records.

8 (c) The authoritative copy is communicated to and maintained by the
9 purchaser or its designated custodian.

10 (d) Copies or amendments that add or change an identified assignee of the
11 authoritative copy can be made only with the consent of the purchaser.

12 (e) Each copy of the authoritative copy and any copy of a copy is readily
13 identifiable as a copy that is not the authoritative copy.

14 (f) Any amendment of the authoritative copy is readily identifiable as
15 authorized or unauthorized.

16 **(3) ONE OR MORE AUTHORITATIVE COPIES.** A system satisfies sub. (1), and a
17 purchaser has control of an authoritative electronic copy of a record evidencing
18 chattel paper, if the electronic copy, a record attached to or logically associated with
19 the electronic copy, or a system in which the electronic copy is recorded satisfies all
20 of the following:

21 (a) It enables the purchaser readily to identify each electronic copy as either
22 an authoritative copy or a nonauthoritative copy.

23 (b) It enables the purchaser readily to identify itself in any way, including by

BILL**SECTION 102**

1 name, identifying number, cryptographic key, office, or account number, as the
2 assignee of the authoritative electronic copy.

3 (c) It gives the purchaser exclusive power, subject to sub. (4), to do all of the
4 following:

5 1. Prevent others from adding or changing an identified assignee of the
6 authoritative electronic copy.

7 2. Transfer control of the authoritative electronic copy.

8 (4) MEANING OF EXCLUSIVE. Subject to sub. (5), a power is exclusive under
9 sub. (3) (c) 1. and 2. even if any of the following applies:

10 (a) The authoritative electronic copy, a record attached to or logically
11 associated with the authoritative electronic copy, or a system in which the
12 authoritative electronic copy is recorded limits the use of the authoritative
13 electronic copy or has a protocol programmed to cause a change, including a
14 transfer or loss of control.

15 (b) The power is shared with another person.

16 (5) WHEN POWER NOT SHARED WITH ANOTHER PERSON. A power of a purchaser
17 is not shared with another person under sub. (4) (b) and the purchaser's power is
18 not exclusive if all of the following apply:

19 (a) The purchaser can exercise the power only if the power also is exercised by
20 the other person.

21 (b) The other person can exercise the power without exercise of the power by
22 the purchaser or the other person is the transferor to the purchaser of an interest in
23 the chattel paper.

BILL**SECTION 102**

1 **(6) PRESUMPTION OF EXCLUSIVITY OF CERTAIN POWERS.** If a purchaser has the
2 powers specified in sub. (3) (c) 1. and 2., the powers are presumed to be exclusive.

3 **(7) OBTAINING CONTROL THROUGH ANOTHER PERSON.** A purchaser has control
4 of an authoritative electronic copy of a record evidencing chattel paper if any of the
5 following applies:

6 (a) Another person, other than the transferor to the purchaser of an interest
7 in the chattel paper, has control of the authoritative electronic copy and
8 acknowledges that it has control on behalf of the purchaser.

9 (b) Another person, other than the transferor to the purchaser of an interest
10 in the chattel paper, obtains control of the authoritative electronic copy after having
11 acknowledged that it will obtain control of the electronic copy on behalf of the
12 purchaser.

13 **SECTION 103.** 409.1055 of the statutes is created to read:

14 **409.1055 Control of electronic money. (1) GENERAL RULE: CONTROL OF**
15 **ELECTRONIC MONEY.** A person has control of electronic money if all of the following
16 apply:

17 (a) The electronic money, a record attached to or logically associated with the
18 electronic money, or a system in which the electronic money is recorded gives the
19 person all of the following:

20 1. Power to avail itself of substantially all the benefit from the electronic
21 money.

22 2. Exclusive power, subject to sub. (2), to do all of the following:

BILL**SECTION 103**

1 a. Prevent others from availing themselves of substantially all the benefit
2 from the electronic money.

3 b. Transfer control of the electronic money to another person or cause another
4 person to obtain control of other electronic money as a result of the transfer of the
5 electronic money.

6 (b) The electronic money, a record attached to or logically associated with the
7 electronic money, or a system in which the electronic money is recorded enables the
8 person readily to identify itself in any way, including by name, identifying number,
9 cryptographic key, office, or account number, as having the powers under par. (a).

10 **(2) MEANING OF EXCLUSIVE.** Subject to sub. (3), a power is exclusive under
11 sub. (1) (a) 2. a. and b. even if any of the following applies:

12 (a) The electronic money, a record attached to or logically associated with the
13 electronic money, or a system in which the electronic money is recorded limits the
14 use of the electronic money or has a protocol programmed to cause a change,
15 including a transfer or loss of control.

16 (b) The power is shared with another person.

17 **(3) WHEN POWER NOT SHARED WITH ANOTHER PERSON.** A power of a person is
18 not shared with another person under sub. (2) (b) and the person's power is not
19 exclusive if all of the following apply:

20 (a) The person can exercise the power only if the power also is exercised by the
21 other person.

22 (b) The other person can exercise the power without exercise of the power by

BILL**SECTION 103**

1 the person or the other person is the transferor to the person of an interest in the
2 electronic money.

3 (4) PRESUMPTION OF EXCLUSIVITY OF CERTAIN POWERS. If a person has the
4 powers specified in sub. (1) (a) 2. a. and b., the powers are presumed to be exclusive.

5 (5) CONTROL THROUGH ANOTHER PERSON. A person has control of electronic
6 money if any of the following applies:

7 (a) Another person, other than the transferor to the person of an interest in
8 the electronic money, has control of the electronic money and acknowledges that it
9 has control on behalf of the person.

10 (b) Another person, other than the transferor to the person of an interest in
11 the electronic money, obtains control of the electronic money after having
12 acknowledged that it will obtain control of the electronic money on behalf of the
13 person.

14 **SECTION 104.** 409.1072 of the statutes is created to read:

15 **409.1072 Control of controllable electronic record, controllable**
16 **account, or controllable payment intangible. (1) CONTROL UNDER S. 412.105.**
17 A secured party has control of a controllable electronic record as provided in s.
18 412.105.

19 **(2) CONTROL OF CONTROLLABLE ACCOUNT AND CONTROLLABLE PAYMENT**
20 **INTANGIBLE.** A secured party has control of a controllable account or controllable
21 payment intangible if the secured party has control of the controllable electronic
22 record that evidences the controllable account or controllable payment intangible.

23 **SECTION 105.** 409.1075 of the statutes is created to read:

BILL**SECTION 105****409.1075 No requirement to acknowledge or confirm; no duties. (1)**

NO REQUIREMENT TO ACKNOWLEDGE. A person that has control under s. 409.104, 409.105, or 409.1055 is not required to acknowledge that it has control on behalf of another person.

(2) NO DUTIES OR CONFIRMATION. If a person acknowledges that it has or will obtain control on behalf of another person, unless the person otherwise agrees or law other than this chapter otherwise provides, the person does not owe any duty to the other person and is not required to confirm the acknowledgment to any other person.

SECTION 106. 409.108 (2) (c) of the statutes is amended to read:

409.108 **(2)** (c) Except as otherwise provided in sub. (5), a type of collateral defined in chs. 401 to ~~411~~ 412;

SECTION 107. 409.108 (5) (intro.) of the statutes is amended to read:

409.108 **(5)** WHEN DESCRIPTION BY TYPE INSUFFICIENT. (intro.) A description only by type of collateral defined in chs. 401 to ~~411~~ 412 is an insufficient description of:

SECTION 108. 409.201 (1) of the statutes is amended to read:

409.201 **(1)** GENERAL EFFECTIVENESS. Except as otherwise provided in chs. 401 to ~~411~~ 412, a security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors.

SECTION 109. 409.203 (2) (c) 1. of the statutes is amended to read:

409.203 **(2)** (c) 1. The debtor has ~~authenticated~~ signed a security agreement

BILL**SECTION 109**

1 that provides a description of the collateral and, if the security interest covers
2 timber to be cut, a description of the land concerned;

3 **SECTION 110.** 409.203 (2) (c) 3. of the statutes is amended to read:

4 409.203 (2) (c) 3. The collateral is a certificated security in registered form
5 and the security certificate has been delivered to the secured party under s. 408.301
6 pursuant to the debtor's security agreement; ~~or~~

7 **SECTION 111.** 409.203 (2) (c) 4. of the statutes is amended to read:

8 409.203 (2) (c) 4. The collateral is controllable accounts, controllable
9 electronic records, controllable payment intangibles, deposit accounts, electronic
10 ~~chattel paper documents, electronic money,~~ investment property, or letter-of-credit
11 rights, ~~or electronic documents,~~ and the secured party has control under s. 407.106,
12 409.104, ~~409.105~~ 409.1055, 409.106, ~~or~~ 409.107, or 409.1072 pursuant to the
13 debtor's security agreement; or

14 **SECTION 112.** 409.203 (2) (c) 5. of the statutes is created to read:

15 409.203 (2) (c) 5. The collateral is chattel paper and the secured party has
16 possession and control under s. 409.3145 pursuant to the debtor's security
17 agreement.

18 **SECTION 113.** 409.204 (2) (intro.) of the statutes is amended to read:

19 409.204 (2) WHEN AFTER-ACQUIRED PROPERTY CLAUSE NOT EFFECTIVE. (intro.)
20 A Subject to sub. (2m), a security interest does not attach under a term constituting
21 an after-acquired property clause to:

22 **SECTION 114.** 409.204 (2m) of the statutes is created to read:

BILL**SECTION 114**

1 409.204 **(2m)** LIMITATION ON SUB. (2). Subsection (2) does not prevent a
2 security interest from attaching to any of the following:

3 (a) Consumer goods as proceeds under s. 409.315 (1) or commingled goods
4 under s. 409.336 (3).

5 (b) A commercial tort claim as proceeds under s. 409.315 (1).

6 (c) Under an after-acquired property clause, property that is proceeds of
7 consumer goods or a commercial tort claim.

8 **SECTION 115.** 409.207 (3) (intro.) of the statutes is amended to read:

9 409.207 **(3)** DUTIES AND RIGHTS WHEN SECURED PARTY IN POSSESSION OR
10 CONTROL. (intro.) Except as otherwise provided in sub. (4), a secured party having
11 possession of collateral or control of collateral under s. 407.106, 409.104, 409.105,
12 409.1055, 409.106, or 409.107, or 409.1072:

13 **SECTION 116.** 409.208 (2) (intro.) and (a) of the statutes are amended to read:

14 409.208 **(2)** DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM
15 DEBTOR. (intro.) Within 10 days after receiving ~~an authenticated~~ a signed demand
16 by the debtor:

17 (a) A secured party having control of a deposit account under s. 409.104 (1) (b)
18 shall send to the bank with which the deposit account is maintained ~~an~~
19 ~~authenticated statement~~ a signed record that releases the bank from any further
20 obligation to comply with instructions originated by the secured party;

21 **SECTION 117.** 409.208 (2) (c) (intro.) of the statutes is renumbered 409.208 (2)
22 (c) and amended to read:

23 409.208 **(2)** (c) A secured party, other than a buyer, having control under s.

BILL**SECTION 117**

1 409.105 of an authoritative electronic copy of a record evidencing chattel paper
2 ~~under s. 409.105 shall:~~ shall transfer control of the electronic copy to the debtor or a
3 person designated by the debtor;

4 **SECTION 118.** 409.208 (2) (c) 1., 2. and 3. of the statutes are repealed.

5 **SECTION 119.** 409.208 (2) (d) of the statutes is amended to read:

6 409.208 (2) (d) A secured party having control of investment property under s.
7 408.106 (4) (b) or 409.106 (2) shall send to the securities intermediary or
8 commodity intermediary with which the security entitlement or commodity
9 contract is maintained ~~an authenticated~~ a signed record that releases the securities
10 intermediary or commodity intermediary from any further obligation to comply
11 with entitlement orders or directions originated by the secured party;

12 **SECTION 120.** 409.208 (2) (e) of the statutes is amended to read:

13 409.208 (2) (e) A secured party having control of a letter-of-credit right under
14 s. 409.107 shall send to each person having an unfulfilled obligation to pay or
15 deliver proceeds of the letter of credit to the secured party ~~an authenticated~~ a
16 signed release from any further obligation to pay or deliver proceeds of the letter of
17 credit to the secured party; ~~and~~

18 **SECTION 121.** 409.208 (2) (f) (intro.) of the statutes is renumbered 409.208 (2)
19 (f) and amended to read:

20 409.208 (2) (f) A secured party having control under s. 407.106 of an
21 authoritative electronic copy of an electronic document of title shall ~~do all of the~~
22 ~~following:~~ transfer control of the electronic copy to the debtor or a person
23 designated by the debtor;

BILL**SECTION 122**

SECTION 122. 409.208 (2) (f) 1., 2. and 3. of the statutes are repealed.

SECTION 123. 409.208 (2) (g) and (h) of the statutes are created to read:

409.208 (2) (g) A secured party having control under s. 409.1055 of electronic money shall transfer control of the electronic money to the debtor or a person designated by the debtor; and

(h) A secured party having control under s. 412.105 of a controllable electronic record, other than a buyer of a controllable account or controllable payment intangible evidenced by the controllable electronic record, shall transfer control of the controllable electronic record to the debtor or a person designated by the debtor.

SECTION 124. 409.209 (2) of the statutes is amended to read:

409.209 (2) DUTIES OF SECURED PARTY AFTER RECEIVING DEMAND FROM DEBTOR. Within 10 days after receiving ~~an authenticated~~ a signed demand by the debtor, a secured party shall send to an account debtor that has received notification under s. 409.406 (1) or 412.106 (2) of an assignment to the secured party as assignee ~~under s. 409.406 (1) an authenticated~~ a signed record that releases the account debtor from any further obligation to the secured party.

SECTION 125. 409.210 (1) (b), (c) and (d) of the statutes are amended to read:

409.210 (1) (b) "Request for an accounting" means a record ~~authenticated~~ signed by a debtor requesting that the recipient provide an accounting of the unpaid obligations secured by collateral and reasonably identifying the transaction or relationship that is the subject of the request.

(c) "Request regarding a list of collateral" means a record ~~authenticated~~ signed by a debtor requesting that the recipient approve or correct a list of what the

BILL**SECTION 125**

1 debtor believes to be the collateral securing an obligation and reasonably
2 identifying the transaction or relationship that is the subject of the request.

3 (d) "Request regarding a statement of account" means a record ~~authenticated~~
4 signed by a debtor requesting that the recipient approve or correct a statement
5 indicating what the debtor believes to be the aggregate amount of unpaid
6 obligations secured by collateral as of a specified date and reasonably identifying
7 the transaction or relationship that is the subject of the request.

8 **SECTION 126.** 409.210 (2) (a) and (b) of the statutes are amended to read:

9 409.210 (2) (a) In the case of a request for an accounting, by ~~authenticating~~
10 signing and sending to the debtor an accounting; and

11 (b) In the case of a request regarding a list of collateral or a request regarding
12 a statement of account, by ~~authenticating~~ signing and sending to the debtor an
13 approval or correction.

14 **SECTION 127.** 409.210 (3) of the statutes is amended to read:

15 409.210 (3) REQUEST REGARDING LIST OF COLLATERAL; STATEMENT
16 CONCERNING TYPE OF COLLATERAL. A secured party that claims a security interest
17 in all of a particular type of collateral owned by the debtor may comply with a
18 request regarding a list of collateral by sending to the debtor ~~an authenticated a~~
19 signed record including a statement to that effect within 14 days after receipt.

20 **SECTION 128.** 409.210 (4) (intro.) of the statutes is amended to read:

21 409.210 (4) REQUEST REGARDING LIST OF COLLATERAL; NO INTEREST CLAIMED.
22 (intro.) A person that receives a request regarding a list of collateral, claims no
23 interest in the collateral when it receives the request, and claimed an interest in the

BILL**SECTION 128**

1 collateral at an earlier time shall comply with the request within 14 days after
2 receipt by sending to the debtor ~~an authenticated~~ a signed record:

3 **SECTION 129.** 409.210 (5) (intro.) of the statutes is amended to read:

4 409.210 (5) REQUEST FOR ACCOUNTING OR REGARDING STATEMENT OF
5 ACCOUNT; NO INTEREST IN OBLIGATION CLAIMED. (intro.) A person that receives a
6 request for an accounting or a request regarding a statement of account, claims no
7 interest in the obligations when it receives the request, and claimed an interest in
8 the obligations at an earlier time shall comply with the request within 14 days after
9 receipt by sending to the debtor ~~an authenticated~~ a signed record:

10 **SECTION 130.** 409.301 (intro.) and (3) (intro.) of the statutes are amended to
11 read:

12 **409.301 Law governing perfection and priority of security interests.**

13 (intro.) Except as otherwise provided in ss. 409.303 to ~~409.306~~ 409.3065, the
14 following rules determine the law governing perfection, the effect of perfection or
15 nonperfection, and the priority of a security interest in collateral:

16 (3) LOCATION OF PROPERTY. (intro.) Except as otherwise provided in sub. (4),
17 while ~~tangible~~ negotiable tangible documents, goods, instruments, or tangible
18 money, ~~or tangible chattel paper~~ is located in a jurisdiction, the local law of that
19 jurisdiction governs:

20 **SECTION 131.** 409.304 (1) of the statutes is amended to read:

21 409.304 (1) LAW OF BANK'S JURISDICTION GOVERNS. The local law of a bank's
22 jurisdiction governs perfection, the effect of perfection or nonperfection, and the

BILL**SECTION 131**

1 priority of a security interest in a deposit account maintained with that bank even
2 if the transaction does not bear any relation to the bank's jurisdiction.

3 **SECTION 132.** 409.304 (2) (a) of the statutes is amended to read:

4 409.304 (2) (a) If an agreement between the bank and the debtor governing
5 the deposit account expressly provides that a particular jurisdiction is the bank's
6 jurisdiction for purposes of this subchapter, this chapter, or chs. 401 to ~~411~~ 412, that
7 jurisdiction is the bank's jurisdiction.

8 **SECTION 133.** 409.305 (1) (e) of the statutes is created to read:

9 409.305 (1) (e) Paragraphs (b), (c), and (d) apply even if the transaction does
10 not bear any relation to the jurisdiction.

11 **SECTION 134.** 409.305 (2) (a) of the statutes is amended to read:

12 409.305 (2) (a) If an agreement between the commodity intermediary and
13 commodity customer governing the commodity account expressly provides that a
14 particular jurisdiction is the commodity intermediary's jurisdiction for purposes of
15 this subchapter, this chapter, or chs. 401 to ~~411~~ 412, that jurisdiction is the
16 commodity intermediary's jurisdiction.

17 **SECTION 135.** 409.3062 of the statutes is created to read:

18 **409.3062 Law governing perfection and priority of security interests**
19 **in chattel paper. (1)** CHATTEL PAPER EVIDENCED BY AUTHORITATIVE ELECTRONIC
20 COPY. Except as provided in sub. (4), if chattel paper is evidenced only by an
21 authoritative electronic copy of the chattel paper or is evidenced by an authoritative
22 electronic copy and an authoritative tangible copy, the local law of the chattel
23 paper's jurisdiction governs perfection, the effect of perfection or nonperfection, and

BILL**SECTION 135**

1 the priority of a security interest in the chattel paper, even if the transaction does
2 not bear any relation to the chattel paper's jurisdiction.

3 (2) CHATTEL PAPER'S JURISDICTION. The following rules determine the chattel
4 paper's jurisdiction under this section:

5 (a) If the authoritative electronic copy of the record evidencing chattel paper,
6 or a record attached to or logically associated with the electronic copy and readily
7 available for review, expressly provides that a particular jurisdiction is the chattel
8 paper's jurisdiction for purposes of this subchapter, this chapter, or chs. 401 to 412,
9 that jurisdiction is the chattel paper's jurisdiction.

10 (b) If par. (a) does not apply and the rules of the system in which the
11 authoritative electronic copy is recorded are readily available for review and
12 expressly provide that a particular jurisdiction is the chattel paper's jurisdiction for
13 purposes of this subchapter, this chapter, or chs. 401 to 412, that jurisdiction is the
14 chattel paper's jurisdiction.

15 (c) If pars. (a) and (b) do not apply and the authoritative electronic copy, or a
16 record attached to or logically associated with the electronic copy and readily
17 available for review, expressly provides that the chattel paper is governed by the law
18 of a particular jurisdiction, that jurisdiction is the chattel paper's jurisdiction.

19 (d) If pars. (a), (b), and (c) do not apply and the rules of the system in which
20 the authoritative electronic copy is recorded are readily available for review and
21 expressly provide that the chattel paper or the system is governed by the law of a
22 particular jurisdiction, that jurisdiction is the chattel paper's jurisdiction.

BILL**SECTION 135**

1 (e) If pars. (a) to (d) do not apply, the chattel paper's jurisdiction is the
2 jurisdiction in which the debtor is located.

3 **(3) CHATTEL PAPER EVIDENCED BY AUTHORITATIVE TANGIBLE COPY.** If an
4 authoritative tangible copy of a record evidences chattel paper and the chattel paper
5 is not evidenced by an authoritative electronic copy, while the authoritative tangible
6 copy of the record evidencing chattel paper is located in a jurisdiction, the local law
7 of that jurisdiction governs all of the following:

8 (a) Perfection of a security interest in the chattel paper by possession under s.
9 409.3145.

10 (b) The effect of perfection or nonperfection and the priority of a security
11 interest in the chattel paper.

12 **(4) WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE DEBTOR**
13 **LOCATED.** The local law of the jurisdiction in which the debtor is located governs
14 perfection of a security interest in chattel paper by filing.

15 **SECTION 136.** 409.3065 of the statutes is created to read:

16 **409.3065 Law governing perfection and priority of security interests**
17 **in controllable accounts, controllable electronic records, and controllable**
18 **payment intangibles. (1) GOVERNING LAW; GENERAL RULES.** Except as provided
19 in sub. (2), the local law of the controllable electronic record's jurisdiction specified
20 in s. 412.107 (3) and (4) governs perfection, the effect of perfection or nonperfection,
21 and the priority of a security interest in a controllable electronic record and a
22 security interest in a controllable account or controllable payment intangible
23 evidenced by the controllable electronic record.

BILL**SECTION 136**

1 **(2)** WHEN PERFECTION GOVERNED BY LAW OF JURISDICTION WHERE DEBTOR
2 LOCATED. The local law of the jurisdiction in which the debtor is located governs all
3 of the following:

4 (a) Perfection of a security interest in a controllable account, controllable
5 electronic record, or controllable payment intangible by filing.

6 (b) Automatic perfection of a security interest in a controllable payment
7 intangible created by a sale of the controllable payment intangible.

8 **SECTION 137.** 409.310 (2) (h) of the statutes is amended to read:

9 409.310 **(2)** (h) In controllable accounts, controllable electronic records,
10 controllable payment intangibles, deposit accounts, ~~electronic chattel paper,~~
11 electronic documents, investment property, or letter-of-credit rights which is
12 perfected by control under s. 409.314;

13 **SECTION 138.** 409.310 (2) (hm) of the statutes is created to read:

14 409.310 **(2)** (hm) In chattel paper which is perfected by possession and control
15 under s. 409.3145;

16 **SECTION 139.** 409.312 (title) of the statutes is amended to read:

17 **409.312** (title) **Perfection of security interests in chattel paper,**
18 **controllable accounts, controllable electronic records, controllable**
19 **payment intangibles, deposit accounts, documents, goods covered by**
20 **documents, instruments, investment property, letter-of-credit rights, and**
21 **money; perfection by permissive filing; temporary perfection without**
22 **filing or transfer of possession.**

23 **SECTION 140.** 409.312 (1) of the statutes is amended to read:

BILL**SECTION 140**

1 409.312 (1) PERFECTION BY FILING PERMITTED. A security interest in chattel
2 paper, ~~negotiable documents~~ controllable accounts, controllable electronic records,
3 controllable payment intangibles, instruments, ~~or~~ investment property, or
4 negotiable documents may be perfected by filing.

5 **SECTION 141.** 409.312 (2) (b) and (c) of the statutes are amended to read:

6 409.312 (2) (b) ~~And except~~ Except as otherwise provided in s. 409.308 (4), a
7 security interest in a letter-of-credit right may be perfected only by control under s.
8 409.314; ~~and~~

9 (c) A security interest in tangible money may be perfected only by the secured
10 party's taking possession under s. 409.313-; and

11 **SECTION 142.** 409.312 (2) (d) of the statutes is created to read:

12 409.312 (2) (d) A security interest in electronic money may be perfected only
13 by control under s. 409.314.

14 **SECTION 143.** 409.312 (5) of the statutes is amended to read:

15 409.312 (5) TEMPORARY PERFECTION: NEW VALUE. A security interest in
16 certificated securities, negotiable documents, or instruments is perfected without
17 filing or the taking of possession or control for a period of 20 days from the time it
18 attaches to the extent that it arises for new value given under ~~an authenticated a~~
19 signed security agreement.

20 **SECTION 144.** 409.313 (1) of the statutes is amended to read:

21 409.313 (1) PERFECTION BY POSSESSION OR DELIVERY. Except as otherwise
22 provided in sub. (2), a secured party may perfect a security interest in ~~tangible~~
23 ~~negotiable documents,~~ goods, instruments, negotiable tangible documents, or

BILL**SECTION 144**

1 ~~tangible money, or tangible chattel paper~~ by taking possession of the collateral. A
2 secured party may perfect a security interest in certificated securities by taking
3 delivery of the certificated securities under s. 408.301.

4 **SECTION 145.** 409.313 (3) (a) and (b) of the statutes are amended to read:

5 409.313 (3) (a) The person in possession ~~authenticates~~ signs a record
6 acknowledging that the person holds possession of the collateral for the secured
7 party's benefit; or

8 (b) The person takes possession of the collateral after having ~~authenticated~~
9 signed a record acknowledging that the person will hold possession of the collateral
10 for the secured party's benefit.

11 **SECTION 146.** 409.313 (4) of the statutes is amended to read:

12 409.313 (4) TIME OF PERFECTION BY POSSESSION; CONTINUATION OF
13 PERFECTION. If perfection of a security interest depends upon possession of the
14 collateral by a secured party, perfection occurs ~~no~~ not earlier than the time the
15 secured party takes possession and continues only while the secured party retains
16 possession.

17 **SECTION 147.** 409.314 (1) of the statutes is amended to read:

18 409.314 (1) PERFECTION BY CONTROL. A security interest in controllable
19 accounts, controllable electronic records, controllable payment intangibles, deposit
20 accounts, electronic documents, electronic money, investment property, ~~deposit~~
21 ~~accounts, or~~ letter-of-credit rights, ~~electronic chattel paper, or electronic documents~~
22 may be perfected by control of the collateral under s. 407.106, 409.104, ~~409.105~~
23 409.1055, 409.106, or 409.107, or 409.1072.

BILL**SECTION 148**

1 **SECTION 148.** 409.314 (2) of the statutes is amended to read:

2 409.314 **(2)** SPECIFIED COLLATERAL: TIME OF PERFECTION BY CONTROL;
3 CONTINUATION OF PERFECTION. A security interest in controllable accounts,
4 controllable electronic records, controllable payment intangibles, deposit accounts,
5 electronic ~~chattel paper~~, documents, electronic money, or letter-of-credit rights,~~or~~
6 ~~electronic documents~~ is perfected by control under s. 407.106, 409.104, ~~409.105, or~~
7 409.1055, 409.107 when, or 409.1072 not earlier than the time the secured party
8 obtains control and remains perfected by control only while the secured party
9 retains control.

10 **SECTION 149.** 409.314 (3) (intro.) of the statutes is amended to read:

11 409.314 **(3)** INVESTMENT PROPERTY: TIME OF PERFECTION BY CONTROL;
12 CONTINUATION OF PERFECTION. (intro.) A security interest in investment property
13 is perfected by control under s. 409.106 ~~from~~ not earlier than the time the secured
14 party obtains control and remains perfected by control until:

15 **SECTION 150.** 409.3145 of the statutes is created to read:

16 **409.3145 Perfection by possession and control of chattel paper. (1)**
17 PERFECTION BY POSSESSION AND CONTROL. A secured party may perfect a security
18 interest in chattel paper by taking possession of each authoritative tangible copy of
19 the record evidencing the chattel paper and obtaining control of each authoritative
20 electronic copy of the electronic record evidencing the chattel paper.

21 **(2)** TIME OF PERFECTION; CONTINUATION OF PERFECTION. A security interest
22 is perfected under sub. (1) not earlier than the time the secured party takes

BILL**SECTION 150**

1 possession and obtains control and remains perfected under sub. (1) only while the
2 secured party retains possession and control.

3 (3) APPLICATION OF S. 409.313 TO PERFECTION BY POSSESSION OF CHATTEL
4 PAPER. Section 409.313 (3) and (6) to (9) applies to perfection by possession of an
5 authoritative tangible copy of a record evidencing chattel paper.

6 **SECTION 151.** 409.316 (title) of the statutes is amended to read:

7 **409.316** (title) ~~Effect of~~ Continued perfection of security interest
8 following change in governing law.

9 **SECTION 152.** 409.316 (1) (intro.) of the statutes is amended to read:

10 409.316 (1) GENERAL RULE: EFFECT ON PERFECTION OF CHANGE IN GOVERNING
11 LAW. (intro.) A security interest perfected pursuant to the law of the jurisdiction
12 designated in s. 409.301 (1) ~~or~~, 409.305 (3), 409.3062 (4), or 409.3065 (2) remains
13 perfected until the earliest of:

14 **SECTION 153.** 409.316 (6) (intro.) of the statutes is amended to read:

15 409.316 (6) CHANGE IN JURISDICTION OF CHATTEL PAPER, CONTROLLABLE
16 ELECTRONIC RECORD, BANK, ISSUER, NOMINATED PERSON, SECURITIES INTERMEDIARY,
17 OR COMMODITY INTERMEDIARY. (intro.) A security interest in chattel paper,
18 controllable accounts, controllable electronic records, controllable payment
19 intangibles, deposit accounts, letter-of-credit rights, or investment property which
20 is perfected under the law of the chattel paper's jurisdiction, the controllable
21 electronic record's jurisdiction, the bank's jurisdiction, the issuer's jurisdiction, a
22 nominated person's jurisdiction, the securities intermediary's jurisdiction, or the

BILL**SECTION 153**

1 commodity intermediary's jurisdiction, as applicable, remains perfected until the
2 earlier of:

3 **SECTION 154.** 409.317 (2) of the statutes is amended to read:

4 409.317 (2) BUYERS THAT RECEIVE DELIVERY. Except as otherwise provided in
5 sub. (5), a buyer, other than a secured party, of ~~tangible chattel paper, tangible~~
6 ~~documents~~, goods, instruments, tangible documents, or a certificated security takes
7 free of a security interest or agricultural lien if the buyer gives value and receives
8 delivery of the collateral without knowledge of the security interest or agricultural
9 lien and before it is perfected.

10 **SECTION 155.** 409.317 (4) of the statutes is amended to read:

11 409.317 (4) LICENSEES AND BUYERS OF CERTAIN COLLATERAL. ~~A~~ Subject to
12 subs. (6) to (9), a licensee of a general intangible or a buyer, other than a secured
13 party, of collateral other than ~~tangible chattel paper, tangible documents~~ electronic
14 money, goods, instruments, tangible documents, or a certificated security takes free
15 of a security interest if the licensee or buyer gives value without knowledge of the
16 security interest and before it is perfected.

17 **SECTION 156.** 409.317 (6), (7), (8) and (9) of the statutes are created to read:

18 409.317 (6) BUYERS OF CHATTEL PAPER. A buyer, other than a secured party,
19 of chattel paper takes free of a security interest if, without knowledge of the
20 security interest and before it is perfected, the buyer gives value and all of the
21 following apply:

22 (a) The buyer receives delivery of each authoritative tangible copy of the
23 record evidencing the chattel paper.

BILL**SECTION 156**

1 (b) If each authoritative electronic copy of the record evidencing the chattel
2 paper can be subjected to control under s. 409.105, the buyer obtains control of each
3 authoritative electronic copy.

4 (7) BUYERS OF ELECTRONIC DOCUMENTS. A buyer of an electronic document
5 takes free of a security interest if, without knowledge of the security interest and
6 before it is perfected, the buyer gives value and, if each authoritative electronic copy
7 of the document can be subjected to control under s. 407.106, obtains control of each
8 authoritative electronic copy.

9 (8) BUYERS OF CONTROLLABLE ELECTRONIC RECORDS. A buyer of a controllable
10 electronic record takes free of a security interest if, without knowledge of the
11 security interest and before it is perfected, the buyer gives value and obtains control
12 of the controllable electronic record.

13 (9) BUYERS OF CONTROLLABLE ACCOUNTS AND CONTROLLABLE PAYMENT
14 INTANGIBLES. A buyer, other than a secured party, of a controllable account or a
15 controllable payment intangible takes free of a security interest if, without
16 knowledge of the security interest and before it is perfected, the buyer gives value
17 and obtains control of the controllable account or controllable payment intangible.

18 **SECTION 157.** 409.323 (4) (intro.) of the statutes is amended to read:

19 409.323 (4) BUYER OF GOODS. (intro.) Except as otherwise provided in sub.
20 (5), a buyer of goods ~~other than a buyer in ordinary course of business~~ takes free of
21 a security interest to the extent that it secures advances made after the earlier of:

22 **SECTION 158.** 409.323 (6) (intro.) of the statutes is amended to read:

23 409.323 (6) LESSEE OF GOODS. (intro.) Except as otherwise provided in sub.

BILL**SECTION 158**

(7), a lessee of goods, ~~other than a lessee in ordinary course of business~~, takes the leasehold interest free of a security interest to the extent that it secures advances made after the earlier of:

SECTION 159. 409.324 (2) (b) of the statutes is amended to read:

409.324 (2) (b) The purchase-money secured party sends ~~an authenticated a~~ signed notification to the holder of the conflicting security interest;

SECTION 160. 409.324 (4) (b) of the statutes is amended to read:

409.324 (4) (b) The purchase-money secured party sends ~~an authenticated a~~ signed notification to the holder of the conflicting security interest;

SECTION 161. 409.3265 of the statutes is created to read:

409.3265 Priority of security interest in controllable account, controllable electronic record, and controllable payment intangible. A security interest in a controllable account, controllable electronic record, or controllable payment intangible held by a secured party having control of the account, electronic record, or payment intangible has priority over a conflicting security interest held by a secured party that does not have control.

SECTION 162. 409.330 (1) (a) and (b) of the statutes are amended to read:

409.330 (1) (a) In good faith and in the ordinary course of the purchaser's business, the purchaser gives new value ~~and~~, takes possession of each authoritative tangible copy of the record evidencing the chattel paper or, and obtains control of under s. 409.105 of each authoritative electronic copy of the record evidencing the chattel paper ~~under s. 409.105~~; and

(b) The authoritative copies of the record evidencing the chattel paper ~~does do~~

BILL**SECTION 162**

1 not indicate that ~~it~~ the chattel paper has been assigned to an identified assignee
2 other than the purchaser.

3 **SECTION 163.** 409.330 (2) of the statutes is amended to read:

4 409.330 (2) PURCHASER'S PRIORITY: OTHER SECURITY INTERESTS. A purchaser
5 of chattel paper has priority over a security interest in the chattel paper which is
6 claimed other than merely as proceeds of inventory subject to a security interest if
7 the purchaser gives new value ~~and~~, takes possession of each authoritative tangible
8 copy of the record evidencing the chattel paper or, and obtains control ~~of~~ under s.
9 409.105 of each authoritative electronic copy of the record evidencing the chattel
10 paper under s. 409.105 in good faith, in the ordinary course of the purchaser's
11 business, and without knowledge that the purchase violates the rights of the
12 secured party.

13 **SECTION 164.** 409.330 (6) of the statutes is amended to read:

14 409.330 (6) INDICATION OF ASSIGNMENT GIVES KNOWLEDGE. For purposes of
15 subs. (2) and (4), if the authoritative copies of the record evidencing chattel paper or
16 an instrument ~~indicates~~ indicate that ~~it~~ the chattel paper or instrument has been
17 assigned to an identified secured party other than the purchaser, a purchaser of the
18 chattel paper or instrument has knowledge that the purchase violates the rights of
19 the secured party.

20 **SECTION 165.** 409.331 (title) of the statutes is amended to read:

21 **409.331 (title) Priority of rights of purchasers of instruments**
22 **controllable accounts, controllable electronic records, controllable**
23 **payment intangibles, documents, instruments, and securities under other**

BILL**SECTION 165**

1 **chapters; priority of interests in financial assets and security**
2 **entitlements and protection against assertion of claim under ch. 408**
3 **and 412.**

4 **SECTION 166.** 409.331 (1) of the statutes is amended to read:

5 409.331 (1) RIGHTS UNDER CHS. 403, 407, ~~AND~~ 408, AND 412 NOT LIMITED.

6 This chapter does not limit the rights of a holder in due course of a negotiable
7 instrument, a holder to which a negotiable document of title has been duly
8 negotiated, ~~or~~ a protected purchaser of a security, or a qualifying purchaser of a
9 controllable account, controllable electronic record, or controllable payment
10 intangible. These holders or purchasers take priority over an earlier security
11 interest, even if perfected, to the extent provided in chs. 403, 407, ~~and 408,~~ and 412.

12 **SECTION 167.** 409.331 (2) of the statutes is amended to read:

13 409.331 (2) PROTECTION UNDER ~~CH.~~ CHS. 408 AND 412. This chapter does not
14 limit the rights of or impose liability on a person to the extent that the person is
15 protected against the assertion of ~~an adverse~~ a claim under ch. 408 or 412.

16 **SECTION 168.** 409.332 (1) of the statutes is amended to read:

17 409.332 (1) TRANSFEREE OF TANGIBLE MONEY. A transferee of tangible money
18 takes the money free of a security interest ~~unless~~ if the transferee ~~aets~~ receives
19 possession of the money without acting in collusion with the debtor in violating the
20 rights of the secured party.

21 **SECTION 169.** 409.332 (2) of the statutes is amended to read:

22 409.332 (2) TRANSFEREE OF FUNDS FROM DEPOSIT ACCOUNT. A transferee of
23 funds from a deposit account takes the funds free of a security interest in the

BILL**SECTION 169**

1 deposit account ~~unless~~ if the transferee acts receives the funds without acting in
2 collusion with the debtor in violating the rights of the secured party.

3 **SECTION 170.** 409.332 (3) of the statutes is created to read:

4 409.332 (3) TRANSFEREE OF ELECTRONIC MONEY. A transferee of electronic
5 money takes the money free of a security interest if the transferee obtains control of
6 the money without acting in collusion with the debtor in violating the rights of the
7 secured party.

8 **SECTION 171.** 409.334 (6) (a) of the statutes is amended to read:

9 409.334 (6) (a) The encumbrancer or owner has, in ~~an authenticated~~ a signed
10 record, consented to the security interest or disclaimed an interest in the goods as
11 fixtures; or

12 **SECTION 172.** 409.341 (intro.) of the statutes is amended to read:

13 **409.341 Bank's rights and duties with respect to deposit account.**

14 (intro.) Except as otherwise provided in s. 409.340 (3), and unless the bank
15 otherwise agrees in ~~an authenticated~~ a signed record, a bank's rights and duties
16 with respect to a deposit account maintained with the bank are not terminated,
17 suspended, or modified by:

18 **SECTION 173.** 409.404 (1) (b) of the statutes is amended to read:

19 409.404 (1) (b) Any other defense or claim of the account debtor against the
20 assignor which accrues before the account debtor receives a notification of the
21 assignment ~~authenticated~~ signed by the assignor or the assignee.

22 **SECTION 174.** 409.406 (1) of the statutes is amended to read:

23 409.406 (1) DISCHARGE OF ACCOUNT DEBTOR; EFFECT OF NOTIFICATION.

BILL**SECTION 174**

1 Subject to subs. (2) to (9) and (12), an account debtor on an account, chattel paper,
2 or a payment intangible may discharge its obligation by paying the assignor until,
3 but not after, the account debtor receives a notification, ~~authenticated~~ signed by the
4 assignor or the assignee, that the amount due or to become due has been assigned
5 and that payment is to be made to the assignee. After receipt of the notification, the
6 account debtor may discharge its obligation by paying the assignee and may not
7 discharge the obligation by paying the assignor.

8 **SECTION 175.** 409.406 (2) (intro.) of the statutes is amended to read:

9 409.406 (2) WHEN NOTIFICATION INEFFECTIVE. (intro.) Subject to ~~sub.~~ subs.
10 (8) and (12), notification is ineffective under sub. (1):

11 **SECTION 176.** 409.406 (3) of the statutes is amended to read:

12 409.406 (3) PROOF OF ASSIGNMENT. Subject to ~~sub.~~ subs. (8) and (12), if
13 requested by the account debtor, an assignee shall seasonably furnish reasonable
14 proof that the assignment has been made. Unless the assignee complies, the
15 account debtor may discharge its obligation by paying the assignor, even if the
16 account debtor has received a notification under sub. (1).

17 **SECTION 177.** 409.406 (4) of the statutes is renumbered 409.406 (4) (bm).

18 **SECTION 178.** 409.406 (4) (am) of the statutes is created to read:

19 409.406 (4) (am) In this subsection, “promissory note” includes a negotiable
20 instrument that evidences chattel paper.

21 **SECTION 179.** 409.406 (7) of the statutes is amended to read:

22 409.406 (7) SUBSECTION (2) (C) NOT WAIVABLE. Subject to ~~sub.~~ subs. (8) and
23 (12), an account debtor may not waive or vary its option under sub. (2) (c).

BILL**SECTION 180**

SECTION 180. 409.406 (12) of the statutes is created to read:

409.406 (12) INAPPLICABILITY OF CERTAIN SUBSECTIONS. Subsections (1), (2), (3), and (7) do not apply to a controllable account or controllable payment intangible.

SECTION 181. 409.408 (1) of the statutes is renumbered 409.408 (1m).

SECTION 182. 409.408 (1g) of the statutes is created to read:

409.408 (1g) PROMISSORY NOTE. In this section, “promissory note” includes a negotiable instrument that evidences chattel paper.

SECTION 183. 409.408 (2) of the statutes is amended to read:

409.408 (2) APPLICABILITY OF SUB. ~~(1)~~ (1M) TO SALES OF CERTAIN RIGHTS TO PAYMENT. Subsection ~~(1)~~ (1m) applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note, other than a sale pursuant to a disposition under s. 409.610 or an acceptance of collateral under s. 409.620.

SECTION 184. 409.408 (4) (intro.) of the statutes is amended to read:

409.408 (4) LIMITATION ON INEFFECTIVENESS UNDER SUBS. ~~(1)~~ (1M) AND (3). (intro.) To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable, or general intangible or a rule of law, statute, or rule described in sub. (3) would be effective under law other than this chapter but is ineffective under sub. ~~(1)~~ (1m) or (3), the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible:

SECTION 185. 409.509 (1) (a) of the statutes is amended to read:

BILL**SECTION 185**

1 409.509 (1) (a) The debtor authorizes the filing in ~~an authenticated~~ a signed
2 record or pursuant to sub. (2) or (3); or

3 **SECTION 186.** 409.509 (2) (intro.) of the statutes is amended to read:

4 409.509 (2) SECURITY AGREEMENT AS AUTHORIZATION. (intro.) By
5 ~~authenticating~~ signing or becoming bound as debtor by a security agreement, a
6 debtor or new debtor authorizes the filing of an initial financing statement, and an
7 amendment, covering:

8 **SECTION 187.** 409.513 (2) (b) of the statutes is amended to read:

9 409.513 (2) (b) If earlier, within 20 days after the secured party receives ~~an~~
10 ~~authenticated~~ a signed demand from a debtor.

11 **SECTION 188.** 409.513 (3) (intro.) of the statutes is amended to read:

12 409.513 (3) OTHER COLLATERAL. (intro.) In cases not governed by sub. (1),
13 within 20 days after a secured party receives ~~an authenticated~~ a signed demand
14 from a debtor, the secured party shall cause the secured party of record for a
15 financing statement to send to the debtor a termination statement for the financing
16 statement or file the termination statement in the filing office if:

17 **SECTION 189.** 409.514 (3) of the statutes is amended to read:

18 409.514 (3) ASSIGNMENT OF RECORD OF MORTGAGE. An assignment of record
19 of a security interest in a fixture covered by a record of a mortgage which is effective
20 as a financing statement filed as a fixture filing under s. 409.502 (3) may be made
21 only by an assignment of record of the mortgage in the manner provided by law of
22 this state other than chs. 401 to ~~411~~ 412.

23 **SECTION 190.** 409.601 (2) of the statutes is amended to read:

BILL**SECTION 190**

1 409.601 (2) RIGHTS AND DUTIES OF SECURED PARTY IN POSSESSION OR
2 CONTROL. A secured party in possession of collateral or control of collateral under s.
3 407.106, 409.104, 409.105, 409.1055, 409.106, ~~or~~ 409.107, or 409.1072 has the
4 rights and duties provided in s. 409.207.

5 **SECTION 191.** 409.605 of the statutes is renumbered 409.605 (1m), and
6 409.605 (1m) (intro.), as renumbered, is amended to read:

7 409.605 (1m) (intro.) ~~—A—~~ IN GENERAL: NO DUTY OWED BY SECURED PARTY.
8 Except as provided in sub. (2m), a secured party does not owe a duty based on its
9 status as secured party:

10 **SECTION 192.** 409.605 (2m) of the statutes is created to read:

11 409.605 (2m) EXCEPTION; SECURED PARTY OWES DUTY TO DEBTOR OR OBLIGOR.
12 A secured party owes a duty based on its status as a secured party to a person if, at
13 the time the secured party obtains control of collateral that is a controllable
14 account, controllable electronic record, or controllable payment intangible or at the
15 time the security interest attaches to the collateral, whichever is later, all of the
16 following apply:

17 (a) The person is a debtor or obligor.

18 (b) The secured party knows that the information in sub. (1m) (a) 1., 2., or 3.
19 relating to the person is not provided by the collateral, a record attached to or
20 logically associated with the collateral, or the system in which the collateral is
21 recorded.

22 **SECTION 193.** 409.608 (1) (a) 3. of the statutes is amended to read:

23 409.608 (1) (a) 3. The satisfaction of obligations secured by any subordinate

BILL**SECTION 193**

1 security interest in or other lien on the collateral subject to the security interest or
2 agricultural lien under which the collection or enforcement is made if the secured
3 party receives ~~an authenticated~~ a signed demand for proceeds before distribution of
4 the proceeds is completed.

5 **SECTION 194.** 409.611 (1) (a) of the statutes is amended to read:

6 409.611 (1) (a) A secured party sends to the debtor and any secondary obligor
7 ~~an authenticated~~ a signed notification of disposition; or

8 **SECTION 195.** 409.611 (2) of the statutes is amended to read:

9 409.611 (2) NOTIFICATION OF DISPOSITION REQUIRED. Except as otherwise
10 provided in sub. (4), a secured party that disposes of collateral under s. 409.610
11 shall send to the persons specified in sub. (3) a reasonable, ~~authenticated~~ signed
12 notification of disposition.

13 **SECTION 196.** 409.611 (3) (intro.) and (c) 1. of the statutes are amended to
14 read:

15 409.611 (3) PERSONS TO BE NOTIFIED. (intro.) To comply with sub. (2), the
16 secured party shall send ~~an authenticated~~ a signed notification of disposition to:

17 (c) 1. Any other person from which the secured party has received, before the
18 notification date, ~~an authenticated~~ a signed notification of a claim of an interest in
19 the collateral;

20 **SECTION 197.** 409.611 (5) (b) 2. of the statutes is amended to read:

21 409.611 (5) (b) 2. Received a response to the request for information and sent
22 ~~an authenticated~~ a signed notification of disposition to each secured party or other

BILL**SECTION 197**

lienholder named in that response whose financing statement covered the collateral.

SECTION 198. 409.613 of the statutes is renumbered 409.613 (1m), and 409.613 (1m) (b), (c) (intro.) and 1. and (e), as renumbered, are amended to read:

409.613 (1m) (b) Whether the contents of a notification that lacks any of the information specified in ~~sub. (1)~~ par. (a) are nevertheless sufficient is a question of fact.

(c) (intro.) The contents of a notification providing substantially the information specified in ~~sub. (1)~~ par. (a) are sufficient, even if the notification includes:

1. Information not specified by ~~sub. (1)~~ par. (a); or

(e) The following form of notification and the form appearing in s. 409.614 ~~(3)~~ (1m) (c), when completed in accordance with the instructions in sub. (2m) and s. 409.614 (2m), each ~~provide~~ provides sufficient information:

NOTIFICATION OF DISPOSITION OF COLLATERAL

To: [*Name of debtor, obligor, or other person to which the notification is sent*]

From: [*Name, address, and telephone number of secured party*]

[1] Name of ~~Debtor(s)~~ any debtor that is not an addressee: [~~Include only if debtor(s) are not an addressee~~ Name of each debtor]

~~[For a public disposition]:~~

[2] We will sell ~~[or lease or license, as applicable]~~ the [*describe collateral*] [to the highest qualified bidder] in at public sale. A sale could include a lease or license. The sale will be held as follows:

BILL**SECTION 198**

1 ~~Day and~~ [Date:]

2 [Time:]

3 [Place:]

4 ~~{For a private disposition}:~~

5 [3] We will sell ~~{or lease or license, as applicable}~~ the [*describe collateral*]
6 ~~privately~~ at private sale sometime after [~~day and date~~]. A sale could include a
7 lease or license.

8 [4] You are entitled to an accounting of the unpaid indebtedness secured by
9 the property that we intend to sell ~~{or, as applicable, lease or license, as applicable}~~
10 ~~{for,}~~

11 [5] If you request an accounting you must pay a charge of \$... [*amount*].

12 [6] You may request an accounting by calling us at [*telephone number*].

13 **SECTION 199.** 409.613 (1) (title), (2) (title), (3) (title), (4) (title) and (5) (title) of
14 the statutes are repealed.

15 **SECTION 200.** 409.613 (1m) (title) of the statutes is created to read:

16 409.613 (**1m**) (title) CONTENTS AND FORM OF NOTIFICATION.

17 **SECTION 201.** 409.613 (2m) of the statutes is created to read:

18 409.613 (**2m**) INSTRUCTIONS FOR FORM OF NOTIFICATION. The following
19 instructions apply to the form of notification in sub. (1m) (e):

20 (a) The instructions in this subsection refer to the numbers in brackets before
21 items in the form of notification in sub. (1m) (e). Do not include the numbers or
22 brackets in the notification. The numbers and brackets are used only for the
23 purpose of these instructions.

BILL**SECTION 201**

(b) Include and complete item [1] only if there is a debtor that is not an addressee of the notification and list the name or names.

(c) Include and complete either item [2], if the notification relates to a public disposition of the collateral, or item [3], if the notification relates to a private disposition of the collateral. If item [2] is included, include the words “to the highest qualified bidder” only if applicable.

(d) Include and complete items [4] and [6].

(e) Include and complete item [5] only if the sender will charge the recipient for an accounting.

SECTION 202. 409.614 of the statutes is renumbered 409.614 (1m), and 409.614 (1m) (a) 1., (c), (d), (e) and (f), as renumbered, are amended to read:

409.614 (**1m**) (a) 1. The information specified in s. 409.613 ~~(1)~~ (1m) (a);

(c) ~~NOTIFICATION: FORM SUFFICIENT.~~ The following form of notification, when completed in accordance with the instructions in sub. (2m), provides sufficient information:

[Name and address of secured party] ---

[Date] ---

NOTICE OF OUR PLAN TO SELL PROPERTY

--- *[Name and address of any obligor who is also a debtor]*

Subject: ~~*[Identification of]*~~ *Identify* transaction]

We have your *[describe collateral]*, because you broke promises in our agreement.

~~*[For a public disposition]:*~~

BILL**SECTION 202**

1 [1] We will sell [*describe collateral*] at public sale. A sale could include a
2 lease or license. The sale will be held as follows:

3 [Date:....]

4 [Time:....]

5 [Place:....]

6 You may attend the sale and bring bidders if you want.

7 ~~[For a private disposition]:~~

8 [2] We will sell [*describe collateral*] at private sale sometime after [*date*].
9 A sale could include a lease or license.

10 [3] The money that we get from the sale (, after paying our costs), will reduce
11 the amount you owe. If we get less money than you owe, you [*will or will not, as*
12 *applicable*] still owe us the difference. If we get more money than you owe, you will
13 get the extra money, unless we must pay it to someone else.

14 [4] You can get the property back at any time before we sell it by paying us the
15 full amount you owe (, not just the past-due payments), including our expenses. To
16 learn the exact amount you must pay, call us at [*telephone number*].

17 [5] If you want us to explain to you [*in writing*] [or] [*in [description of*
18 *electronic record*] how we have figured the amount that you owe us, [6] ~~you may~~ call
19 us at [*telephone number*] [*or write us at [secured party's address]*] [or contact
20 us by [description of electronic communication method]] [7] and request a
21 [written explanation.—[We] [or] [an explanation in [description of electronic
22 record]].

BILL**SECTION 202**

1 [8] We will charge you \$.... [amount] for the explanation if we sent you another
2 written explanation of the amount you owe us within the last 6 months.}

3 [9] If you need more information about the sale, [call us at [telephone
4 number]] [or] [write us at [secured party's address]] [or contact us by
5 [description of electronic communication method]].

6 [10] We are sending this notice to the following other people who have an
7 interest in [describe collateral] or who owe money under your agreement:

8 [Names of all other debtors and obligors, if any]

9 **[End of Form]**

10 (d) A notification in the form of ~~sub. (3)~~ par. (c) is sufficient, even if additional
11 information appears at the end of the form.

12 (e) A notification in the form of ~~sub. (3)~~ par. (c) is sufficient, even if it includes
13 errors in information not required by ~~sub. (1)~~ par. (a), unless the error is misleading
14 with respect to rights arising under this chapter.

15 (f) If a notification under this section is not in the form of ~~sub. (3)~~ par. (c), law
16 other than this chapter determines the effect of including information not required
17 by ~~sub. (1)~~ par. (a).

18 **SECTION 203.** 409.614 (1) (title), (2) (title), (3) (title), (4) (title), (5) (title) and
19 (6) (title) of the statutes are repealed.

20 **SECTION 204.** 409.614 (1m) (title) of the statutes is created to read:

21 409.614 (**1m**) (title) CONTENTS AND FORM OF NOTIFICATION.

22 **SECTION 205.** 409.614 (2m) of the statutes is created to read:

BILL**SECTION 205**

1 409.614 **(2m)** INSTRUCTIONS FOR FORM OF NOTIFICATION. The following
2 instructions apply to the form of notification in sub. (1m) (c):

3 (a) The instructions in this subsection refer to the numbers in brackets before
4 items in the form of notification in sub. (1m) (c). Do not include the numbers or
5 brackets in the notification. The numbers and brackets are used only for the
6 purpose of these instructions.

7 (b) Include and complete either item [1], if the notification relates to a public
8 disposition of the collateral, or item [2], if the notification relates to a private
9 disposition of the collateral.

10 (c) Include and complete items [3], [4], [5], [6], and [7].

11 (d) In item [5], include and complete any one of the three alternative methods
12 for the explanation—writing, writing or electronic record, or electronic record.

13 (e) In item [6], include the telephone number. In addition, the sender may
14 include and complete either or both of the two additional alternative methods of
15 communication—writing or electronic communication—for the recipient of the
16 notification to communicate with the sender. Neither of the two additional methods
17 of communication is required to be included.

18 (f) In item [7], include and complete the method or methods for the
19 explanation—writing, writing or electronic record, or electronic record—included in
20 item [5].

21 (g) Include and complete item [8] only if a written explanation is included in
22 item [5] as a method for communicating the explanation and the sender will charge
23 the recipient for another written explanation.

BILL**SECTION 205**

1 (h) In item [9], include either the telephone number or the address or both the
2 telephone number and the address. In addition, the sender may include and
3 complete the additional method of communication—electronic communication—for
4 the recipient of the notification to communicate with the sender. The additional
5 method of electronic communication is not required to be included.

6 (i) If item [10] does not apply, insert “None” after “agreement:”.

7 **SECTION 206.** 409.615 (1) (c) 1. of the statutes is amended to read:

8 409.615 (1) (c) 1. The secured party receives from the holder of the
9 subordinate security interest or other lien ~~an authenticated~~ a signed demand for
10 proceeds before distribution of the proceeds is completed; and

11 **SECTION 207.** 409.615 (1) (d) of the statutes is amended to read:

12 409.615 (1) (d) A secured party that is a consignor of the collateral if the
13 secured party receives from the consignor ~~an authenticated~~ a signed demand for
14 proceeds before distribution of the proceeds is completed.

15 **SECTION 208.** 409.616 (1) (a) (intro.) of the statutes is amended to read:

16 409.616 (1) (a) (intro.) “Explanation” means a ~~writing~~ record that:

17 **SECTION 209.** 409.616 (1) (b) 1. of the statutes is amended to read:

18 409.616 (1) (b) 1. ~~Authenticated~~ Signed by a debtor or consumer obligor;

19 **SECTION 210.** 409.616 (2) (a) 1. of the statutes is amended to read:

20 409.616 (2) (a) 1. Before or when the secured party accounts to the debtor and
21 pays any surplus or first makes ~~written~~ demand in a record on the consumer obligor
22 after the disposition for payment of the deficiency; and

23 **SECTION 211.** 409.616 (3) (intro.) of the statutes is amended to read:

BILL**SECTION 211**

1 409.616 (3) REQUIRED INFORMATION. (intro.) To comply with sub. (1) (a) 2., ~~a~~
2 ~~writing~~ an explanation must provide the following information in the following
3 order:

4 **SECTION 212.** 409.619 (1) (intro.) of the statutes is amended to read:

5 409.619 (1) TRANSFER STATEMENT. (intro.) In this section, “transfer
6 statement” means a record ~~authenticated~~ signed by a secured party stating:

7 **SECTION 213.** 409.620 (1) (b) (intro.) of the statutes is amended to read:

8 409.620 (1) (b) (intro.) The secured party does not receive, within the time set
9 forth in sub. (4), a notification of objection to the proposal ~~authenticated~~ signed by:

10 **SECTION 214.** 409.620 (2) (a) of the statutes is amended to read:

11 409.620 (2) (a) The secured party consents to the acceptance in ~~an~~
12 ~~authenticated~~ a signed record or sends a proposal to the debtor; and

13 **SECTION 215.** 409.620 (3) (a) of the statutes is amended to read:

14 409.620 (3) (a) A debtor consents to an acceptance of collateral in partial
15 satisfaction of the obligation it secures only if the debtor agrees to the terms of the
16 acceptance in a record ~~authenticated~~ signed after default; and

17 **SECTION 216.** 409.620 (3) (b) (intro.) and 3. of the statutes are amended to
18 read:

19 409.620 (3) (b) (intro.) A debtor consents to an acceptance of collateral in full
20 satisfaction of the obligation it secures only if the debtor agrees to the terms of the
21 acceptance in a record ~~authenticated~~ signed after default or the secured party:

22 3. Does not receive a notification of objection ~~authenticated~~ signed by the
23 debtor within 20 days after the proposal is sent.

BILL**SECTION 217**

SECTION 217. 409.620 (6) (b) of the statutes is amended to read:

409.620 **(6)** (b) Within any longer period to which the debtor and all secondary obligors have agreed in an agreement to that effect entered into and ~~authenticated~~ signed after default.

SECTION 218. 409.621 (1) (a) of the statutes is amended to read:

409.621 **(1)** (a) Any person from which the secured party has received, before the debtor consented to the acceptance, ~~an authenticated~~ a signed notification of a claim of an interest in the collateral;

SECTION 219. 409.624 (1), (2) and (3) of the statutes are amended to read:

409.624 **(1)** WAIVER OF DISPOSITION NOTIFICATION. A debtor or secondary obligor may waive the right to notification of disposition of collateral under s. 409.611 only by an agreement to that effect entered into and ~~authenticated~~ signed after default.

(2) WAIVER OF MANDATORY DISPOSITION. A debtor may waive the right to require disposition of collateral under s. 409.620 (5) only by an agreement to that effect entered into and ~~authenticated~~ signed after default.

(3) WAIVER OF REDEMPTION RIGHT. Except in a consumer-goods transaction, a debtor or secondary obligor may waive the right to redeem collateral under s. 409.623 only by an agreement to that effect entered into and ~~authenticated~~ signed after default.

SECTION 220. 409.628 (1) (intro.) of the statutes is amended to read:

409.628 **(1)** LIMITATION OF LIABILITY OF SECURED PARTY FOR NONCOMPLIANCE WITH CHAPTER. (intro.) ~~Unless~~ Subject to sub. (6), unless a secured party knows

BILL**SECTION 220**

1 that a person is a debtor or obligor, knows the identity of the person, and knows how
2 to communicate with the person:

3 **SECTION 221.** 409.628 (2) (intro.) of the statutes is amended to read:

4 409.628 (2) LIMITATION OF LIABILITY BASED ON STATUS AS SECURED PARTY.
5 (intro.) ~~A-~~ Subject to sub. (6), a secured party is not liable because of its status as
6 secured party:

7 **SECTION 222.** 409.628 (6) of the statutes is created to read:

8 409.628 (6) EXCEPTION: LIMITATION OF LIABILITY UNDER SUBS. (1) AND (2)
9 DOES NOT APPLY. Subsections (1) and (2) do not apply to limit the liability of a
10 secured party to a person if, at the time the secured party obtains control of
11 collateral that is a controllable account, controllable electronic record, or
12 controllable payment intangible or at the time the security interest attaches to the
13 collateral, whichever is later, all of the following apply:

14 (a) The person is a debtor or obligor.

15 (b) The secured party knows that the information in sub. (2) (a) 1., 2., or 3.
16 relating to the person is not provided by the collateral, a record attached to or
17 logically associated with the collateral, or the system in which the collateral is
18 recorded.

19 **SECTION 223.** Subchapter IX (title) of chapter 409 [precedes 409.902] of the
20 statutes is created to read:

21 **CHAPTER 409**

22 **SUBCHAPTER IX**

BILL

SECTION 223

TRANSITION PROVISIONS

FOR 2022 AMENDMENTS

SECTION 224. 409.902 of the statutes is created to read:

409.902 Definitions; transition dates. (1) DEFINITIONS. In this subchapter:

(a) “Adjustment date” means July 1, 2029, or the first day of the 13th month beginning after the effective date of this paragraph [LRB inserts date], whichever is later.

****NOTE: Please let me know if the “adjustment date” needs adjusting.

(b) “Chapter 412 property” means a controllable account, controllable electronic record, or controllable payment intangible.

(2) EFFECTIVE DATE. This subchapter and ch. 412 were created by 2027 Wisconsin Act (this act) and became effective on the effective date of this subsection [LRB inserts date].

SECTION 225. 409.903 of the statutes is created to read:

409.903 Saving clause. (1) PRE-EFFECTIVE-DATE TRANSACTION, LIEN, OR INTEREST. Except as provided in this subchapter and 2027 Wisconsin Act ... (this act), section 264, this chapter, as affected by 2027 Wisconsin Act ... (this act), and ch. 412 apply to a transaction, lien, or other interest in property, even if the transaction, lien, or interest was entered into, created, or acquired before the effective date of this subsection [LRB inserts date].

(2) CONTINUING VALIDITY. (a) Except as provided in sub. (3) and ss. 409.904 to 409.908, a transaction, lien, or interest in property that was validly entered into, created, or transferred before the effective date of this paragraph [LRB inserts

BILL**SECTION 225**

1 date] and was not governed by chs. 401 to 411, but would be subject to this chapter,
2 as affected by 2027 Wisconsin Act (this act), or ch. 412 if it had been entered into,
3 created, or transferred on or after the effective date of this paragraph [LRB
4 inserts date], including the rights, duties, and interests flowing from the
5 transaction, lien, or interest, remains valid on and after the effective date of this
6 paragraph [LRB inserts date].

7 (b) Except as provided in sub. (3) and ss. 409.904 to 409.908, the transaction,
8 lien, or interest under par. (a) may be terminated, completed, consummated, and
9 enforced as required or permitted by 2027 Wisconsin Act (this act) or by the law
10 that would apply if 2027 Wisconsin Act (this act) had not taken effect.

11 (3) PRE-EFFECTIVE-DATE PROCEEDING. 2027 Wisconsin Act (this act) does
12 not affect an action, case, or proceeding commenced before the effective date of this
13 subsection [LRB inserts date].

14 **SECTION 226.** 409.904 of the statutes is created to read:

15 **409.904 Security interest perfected before effective date. (1)**

16 CONTINUING PERFECTION: PERFECTION REQUIREMENTS SATISFIED. A security
17 interest that is enforceable and perfected immediately before the effective date of
18 this subsection [LRB inserts date], is a perfected security interest under 2027
19 Wisconsin Act (this act) if, on the effective date of this subsection [LRB inserts
20 date], the requirements for enforceability and perfection under 2027 Wisconsin Act
21 (this act) are satisfied without further action.

22 (2) CONTINUING PERFECTION: ENFORCEABILITY OR PERFECTION REQUIREMENTS
23 NOT SATISFIED. If a security interest is enforceable and perfected immediately

BILL**SECTION 226**

1 before the effective date of this subsection [LRB inserts date], but the
2 requirements for enforceability or perfection under 2027 Wisconsin Act (this act)
3 are not satisfied on the effective date of this subsection [LRB inserts date], all of
4 the following apply:

5 (a) The security interest is a perfected security interest until the earlier of the
6 time perfection would have ceased under the law in effect immediately before the
7 effective date of this paragraph [LRB inserts date], or the adjustment date.

8 (b) The security interest remains enforceable thereafter only if the security
9 interest satisfies the requirements for enforceability under s. 409.203, as affected
10 by 2027 Wisconsin Act (this act), before the adjustment date.

11 (c) The security interest remains perfected thereafter only if the requirements
12 for perfection under 2027 Wisconsin Act (this act) are satisfied before the time
13 specified in par. (a).

14 **SECTION 227.** 409.905 of the statutes is created to read:

15 **409.905 Security interest unperfected before effective date.** All of the
16 following apply to a security interest that is enforceable immediately before the
17 effective date of this section [LRB inserts date], but is unperfected at that time:

18 (1) The security interest remains an enforceable security interest until the
19 adjustment date.

20 (2) The security interest remains enforceable thereafter if the security
21 interest becomes enforceable under s. 409.203, as affected by 2027 Wisconsin Act
22 (this act), on the effective date of this subsection [LRB inserts date], or before the
23 adjustment date.

BILL**SECTION 227**

1 **(3)** The security interest becomes perfected under any of the following
2 circumstances:

3 (a) Without further action, on the effective date of this paragraph [LRB
4 inserts date], if the requirements for perfection under 2027 Wisconsin Act (this
5 act) are satisfied before or at that time.

6 (b) When the requirements for perfection are satisfied if the requirements are
7 satisfied after that time.

8 **SECTION 228.** 409.906 of the statutes is created to read:

9 **409.906 Effectiveness of actions taken before effective date. (1) PRE-**
10 **EFFECTIVE-DATE ACTION; ATTACHMENT AND PERFECTION BEFORE ADJUSTMENT DATE.**
11 If action, other than the filing of a financing statement, is taken before the effective
12 date of this subsection [LRB inserts date], and the action would have resulted in
13 perfection of the security interest had the security interest become enforceable
14 before the effective date of this subsection [LRB inserts date], the action is
15 effective to perfect a security interest that attaches under 2027 Wisconsin Act
16 (this act) before the adjustment date. An attached security interest becomes
17 unperfected on the adjustment date unless the security interest becomes a
18 perfected security interest under 2027 Wisconsin Act (this act) before the
19 adjustment date.

20 **(2) PRE-EFFECTIVE-DATE FILING.** The filing of a financing statement before
21 the effective date of this subsection [LRB inserts date], is effective to perfect a
22 security interest on the effective date of this subsection [LRB inserts date], to the

BILL**SECTION 228**

1 extent the filing would satisfy the requirements for perfection under 2027
2 Wisconsin Act (this act).

3 (3) PRE-EFFECTIVE-DATE ENFORCEABILITY ACTION. The taking of an action
4 before the effective date of this subsection [LRB inserts date], is sufficient for the
5 enforceability of a security interest on the effective date of this subsection [LRB
6 inserts date], if the action would satisfy the requirements for enforceability under
7 2027 Wisconsin Act (this act).

8 **SECTION 229.** 409.907 of the statutes is created to read:

9 **409.907 Priority.** (1) DETERMINATION OF PRIORITY. Subject to subs. (2) and
10 (3), 2027 Wisconsin Act (this act) determines the priority of conflicting claims to
11 collateral.

12 (2) ESTABLISHED PRIORITIES. Subject to sub. (3), if the priorities of claims to
13 collateral were established before the effective date of this subsection [LRB
14 inserts date], this chapter as in effect before the effective date of this subsection
15 [LRB inserts date], determines priority.

16 (3) DETERMINATION OF CERTAIN PRIORITIES ON ADJUSTMENT DATE. On the
17 adjustment date, to the extent the priorities determined by this chapter, as affected
18 by 2027 Wisconsin Act (this act), modify the priorities established before the
19 effective date of this subsection ... [LRB inserts date], the priorities of claims to ch.
20 412 property and electronic money established before the effective date of this
21 subsection [LRB inserts date], cease to apply.

22 **SECTION 230.** 409.908 of the statutes is created to read:

23 **409.908 Priority of claims when priority rules of this chapter do not**

BILL**SECTION 230**

1 **apply. (1) DETERMINATION OF PRIORITY.** Subject to subs. (2) and (3), ch. 412
2 determines the priority of conflicting claims to ch. 412 property when the priority
3 rules of this chapter, as affected by 2027 Wisconsin Act (this act), do not apply.

4 **(2) ESTABLISHED PRIORITIES.** Subject to sub. (3), when the priority rules of
5 this chapter, as affected by 2027 Wisconsin Act (this act), do not apply and the
6 priorities of claims to ch. 412 property were established before the effective date of
7 this subsection [LRB inserts date], law other than ch. 412 determines priority.

8 **(3) DETERMINATION OF CERTAIN PRIORITIES ON ADJUSTMENT DATE.** When the
9 priority rules of this chapter, as affected by 2027 Wisconsin Act (this act), do not
10 apply, to the extent the priorities determined by 2027 Wisconsin Act (this act)
11 modify the priorities established before the effective date of this subsection [LRB
12 inserts date], the priorities of claims to ch. 412 property established before the
13 effective date of this subsection [LRB inserts date], cease to apply on the
14 adjustment date.

15 **SECTION 231.** 410.103 (1) (c) (intro.) of the statutes is amended to read:

16 410.103 (1) (c) (intro.) “Payment order” means an instruction of a sender to a
17 receiving bank, transmitted orally, ~~electronically~~, or in ~~writing~~ a record, to pay, or to
18 cause another bank to pay, a fixed or determinable amount of money to a
19 beneficiary if all of the following apply:

20 **SECTION 232.** 410.201 of the statutes is amended to read:

21 **410.201 Security procedure.** “Security procedure” means a procedure
22 established by agreement of a customer and a receiving bank to verify that a
23 payment order or communication amending or canceling a payment order is that of

BILL**SECTION 232**

1 the customer or to detect error in the transmission or the content of the payment
2 order or communication. A security procedure may impose an obligation on the
3 receiving bank or the customer and may require the use of algorithms or other
4 codes, identifying words ~~or~~, numbers, symbols, sounds, biometrics, encryption,
5 callback procedures, or similar security devices. Comparison of a signature on a
6 payment order or communication with an authorized specimen signature of the
7 customer or requiring a payment order to be sent from a known email address, IP
8 address, or telephone number is not by itself a security procedure.

9 **SECTION 233.** 410.202 (2) (a) 2. of the statutes is amended to read:

10 410.202 (2) (a) 2. The bank proves that it accepted the payment order in good
11 faith and in compliance with the bank's obligations under the security procedure
12 and any ~~written~~ agreement or instruction of the customer, evidenced by a record,
13 restricting acceptance of payment orders issued in the name of the customer.

14 **SECTION 234.** 410.202 (2) (b) of the statutes is amended to read:

15 410.202 (2) (b) The bank is not required to follow an instruction that violates
16 ~~a written~~ an agreement with the customer, evidenced by a record, or notice of which
17 is not received at a time and in a manner affording the bank a reasonable
18 opportunity to act on it before the payment order is accepted.

19 **SECTION 235.** 410.202 (3) (b) of the statutes is amended to read:

20 410.202 (3) (b) The customer expressly agreed in ~~writing~~ a record to be bound
21 by any payment order, whether or not authorized, issued in the customer's name
22 and accepted by the bank in compliance with the bank's obligations under the
23 security procedure chosen by the customer.

BILL**SECTION 236**

1 **SECTION 236.** 410.203 (1) (a) of the statutes is amended to read:

2 410.203 (1) (a) By express ~~written~~ agreement evidenced by a record, the
3 receiving bank may limit the extent to which it is entitled to enforce or retain
4 payment of the payment order.

5 **SECTION 237.** 410.207 (3) (b) of the statutes is amended to read:

6 410.207 (3) (b) If the originator is not a bank and proves that the person
7 identified by number was not entitled to receive payment from the originator, the
8 originator is not obliged to pay its order unless the originator's bank proves that the
9 originator, before acceptance of the originator's order, had notice that payment of a
10 payment order issued by the originator might be made by the beneficiary's bank on
11 the basis of an identifying or bank account number even if it identifies a person
12 different from the named beneficiary. Proof of notice may be made by any
13 admissible evidence. The originator's bank satisfies the burden of proof if it proves
14 that the originator, before the payment order was accepted, signed a ~~writing~~ record
15 stating the information to which the notice relates.

16 **SECTION 238.** 410.208 (2) (b) of the statutes is amended to read:

17 410.208 (2) (b) If the sender is not a bank and the receiving bank proves that
18 the sender, before the payment order was accepted, had notice that the receiving
19 bank might rely on the number as the proper identification of the intermediary
20 bank or the beneficiary's bank even if it identifies a person different from the bank
21 identified by name, the rights and obligations of the sender and the receiving bank
22 are governed by sub. (2) (am), as though the sender were a bank. Proof of notice
23 may be made by any admissible evidence. The receiving bank satisfies the burden

BILL**SECTION 238**

1 of proof if it proves that the sender, before the payment order was accepted, signed
2 a ~~writing~~ record stating the information to which the notice relates.

3 **SECTION 239.** 410.210 (1) of the statutes is amended to read:

4 410.210 (1) A payment order is rejected by the receiving bank by a notice of
5 rejection transmitted to the sender orally, ~~electronically~~, or in ~~writing~~ a record. A
6 notice of rejection need not use any particular words and is sufficient if it indicates
7 that the receiving bank is rejecting the order or will not execute or pay the order.
8 Rejection is effective when the notice is given if transmission is by a means that is
9 reasonable in the circumstances. If notice of rejection is given by a means that is
10 not reasonable, rejection is effective when the notice is received. If an agreement of
11 the sender and receiving bank establishes the means to be used to reject a payment
12 order, any means complying with the agreement is reasonable and any means not
13 complying is not reasonable unless no significant delay in receipt of the notice
14 resulted from the use of the noncomplying means.

15 **SECTION 240.** 410.211 (1) of the statutes is amended to read:

16 410.211 (1) A communication of the sender of a payment order canceling or
17 amending the order may be transmitted to the receiving bank orally, ~~electronically~~,
18 or in ~~writing~~ a record. If a security procedure is in effect between the sender and
19 the receiving bank, the communication is not effective to cancel or amend the order
20 unless the communication is verified pursuant to the security procedure or the
21 bank agrees to the cancellation or amendment.

22 **SECTION 241.** 410.305 (3) and (4) of the statutes are amended to read:

23 410.305 (3) In addition to the amounts payable under subs. (1) and (2),

BILL**SECTION 241**

1 damages, including consequential damages, are recoverable to the extent provided
2 in an express ~~written~~ agreement of the receiving bank, evidenced by a record.

3 (4) If a receiving bank fails to execute a payment order it was obliged by
4 express agreement to execute, the receiving bank is liable to the sender for its
5 expenses in the transaction and for incidental expenses and interest losses
6 resulting from the failure to execute. Additional damages, including consequential
7 damages, are recoverable to the extent provided in an express ~~written~~ agreement of
8 the receiving bank, evidenced by a record, but are not otherwise recoverable.

9 **SECTION 242.** 411.102 of the statutes is renumbered 411.102 (1) and amended
10 to read:

11 411.102 (1) This chapter applies to any transaction, regardless of form, that
12 creates a lease and, in the case of a hybrid lease, it applies to the extent provided in
13 sub. (2).

14 **SECTION 243.** 411.102 (2) of the statutes is created to read:

15 411.102 (2) (a) In a hybrid lease, if the lease-of-goods aspects do not
16 predominate, all of the following apply:

17 1. Only the provisions of this chapter which relate primarily to the lease-of-
18 goods aspects of the transaction apply, and the provisions that relate primarily to
19 the transaction as a whole do not apply.

20 2. Section 411.209 applies if the lease is a finance lease.

21 3. Section 411.407 applies to the promises of the lessee in a finance lease to
22 the extent the promises are consideration for the right to possession and use of the
23 leased goods.

BILL**SECTION 243**

1 (b) In a hybrid lease, if the lease-of-goods aspects predominate, this chapter
2 applies to the transaction, but does not preclude application in appropriate
3 circumstances of other law to aspects of the lease which do not relate to the lease of
4 goods.

5 **SECTION 244.** 411.103 (1) (hm) of the statutes is created to read:

6 411.103 (1) (hm) "Hybrid lease" means a single transaction involving a lease
7 of goods and any of the following:

- 8 1. The provision of services.
- 9 2. A sale of other goods.
- 10 3. A sale, lease, or license of property other than goods.

11 **SECTION 245.** 411.107 of the statutes is amended to read:

12 **411.107 Waiver or renunciation of claim or right after default.** Any
13 claim or right arising out of an alleged default or breach of warranty may be
14 discharged in whole or in part without consideration by a ~~written~~ waiver or
15 renunciation in a signed and record delivered by the aggrieved party.

16 **SECTION 246.** 411.201 (1) (b) of the statutes is amended to read:

17 411.201 (1) (b) There is a ~~writing~~ record, signed by the party against whom
18 enforcement is sought or by that party's authorized agent, sufficient to indicate that
19 a lease contract has been made between the parties and to describe the goods leased
20 and the lease term.

21 **SECTION 247.** 411.201 (3) of the statutes is amended to read:

22 411.201 (3) A ~~writing~~ record is not insufficient because it omits or incorrectly

BILL**SECTION 247**

1 states a term agreed upon, but the lease contract is not enforceable under sub. (1)
2 (b) beyond the lease term and the quantity of goods shown in the ~~writing~~ record.

3 **SECTION 248.** 411.201 (5) (a) of the statutes is amended to read:

4 411.201 (5) (a) If there is a ~~writing~~ record signed by the party against whom
5 enforcement is sought or by that party's authorized agent specifying the lease term,
6 the term so specified.

7 **SECTION 249.** 411.202 (intro.) and (2) of the statutes are amended to read:

8 **411.202 Final ~~written~~ expression: parol or extrinsic evidence.** (intro.)
9 Terms with respect to which the confirmatory memoranda of the parties agree or
10 that are otherwise set forth in a ~~writing~~ record intended by the parties as a final
11 expression of their agreement with respect to such terms as are included in the
12 ~~writing~~ record may not be contradicted by evidence of an earlier agreement or of a
13 contemporaneous oral agreement but may be explained or supplemented by all of
14 the following:

15 (2) Evidence of consistent additional terms unless the court finds the ~~writing~~
16 record to have been intended also as a complete and exclusive statement of the
17 terms of the agreement.

18 **SECTION 250.** 411.203 of the statutes is amended to read:

19 **411.203 Seals inoperative.** The affixing of a seal to a ~~writing~~ record
20 evidencing a lease contract or an offer to enter into a lease contract does not make
21 the ~~writing~~ record a sealed instrument and the law with respect to sealed
22 instruments does not apply to the lease contract or offer.

23 **SECTION 251.** 411.205 of the statutes is amended to read:

BILL

SECTION 251

411.205 Firm offers. An offer by a merchant to lease goods to or from another person in a signed ~~writing~~ record that by its terms gives assurance that it will be held open is not revocable, for lack of consideration, during the time stated or, if no time is stated, for a reasonable time, but in no event may the period of irrevocability exceed 3 months. A term of assurance on a form supplied by the offeree shall be signed separately by the offeror.

SECTION 252. 411.208 (2) of the statutes is amended to read:

411.208 (2) A signed lease agreement that excludes modification or rescission except by a signed ~~writing~~ record may not be otherwise modified or rescinded, but, except as between merchants, such a requirement on a form supplied by a merchant must be signed separately by the other party.

SECTION 253. Chapter 412 of the statutes is created to read:

CHAPTER 412

UNIFORM COMMERCIAL CODE -

CONTROLLABLE ELECTRONIC RECORDS

412.101 Short title. This chapter may be cited as uniform commercial code - controllable electronic records.

412.102 Definitions. (1) In this chapter:

(a) “Controllable electronic record” means a record stored in an electronic medium that can be subjected to control under s. 412.105. “Controllable electronic record” does not include a controllable account, a controllable payment intangible, a deposit account, an electronic copy of a record evidencing chattel paper, an

BILL**SECTION 253**

1 electronic document of title, electronic money, investment property, or a
2 transferable record.

3 (b) “Qualifying purchaser” means a purchaser of a controllable electronic
4 record or an interest in a controllable electronic record that obtains control of the
5 controllable electronic record for value, in good faith, and without notice of a claim
6 of a property right in the controllable electronic record.

7 (c) “Transferable record” has the meaning provided for that term in any of the
8 following:

9 1. Section 201 (a) (1) of the Electronic Signatures in Global and National
10 Commerce Act, 15 USC 7021 (a) (1).

11 2. Section 137.24 (1), subject to s. 137.24 (1m).

12 (d) “Value” has the meaning provided in s. 403.303 (1), as if references in that
13 subsection to an “instrument” were references to a controllable account,
14 controllable electronic record, or controllable payment intangible.

15 (2) The definitions in ch. 409 of “account debtor,” “controllable account,”
16 “controllable payment intangible,” “chattel paper,” “deposit account,” “electronic
17 money,” and “investment property” apply to this chapter.

18 (3) Chapter 401 contains general definitions and principles of construction
19 and interpretation applicable throughout this chapter.

20 **412.103 Relation to ch. 409 and consumer laws.** (1) If there is conflict
21 between this chapter and ch. 409, ch. 409 governs.

22 (2) A transaction subject to this chapter is subject to any applicable rule of

BILL**SECTION 253**

1 law that establishes a different rule for consumers and to s. 182.025 and chs. 138,
2 421 to 427, and 429.

3 **412.104 Rights in controllable account, controllable electronic**
4 **record, and controllable payment intangible.** (1) This section applies to the
5 acquisition and purchase of rights in a controllable account or controllable payment
6 intangible, including the rights and benefits under subs. (3), (4), (5), (7), and (8) of a
7 purchaser and qualifying purchaser, in the same manner this section applies to a
8 controllable electronic record.

9 (2) To determine whether a purchaser of a controllable account or a
10 controllable payment intangible is a qualifying purchaser, the purchaser obtains
11 control of the account or payment intangible if it obtains control of the controllable
12 electronic record that evidences the account or payment intangible.

13 (3) Except as provided in this section, law other than this chapter determines
14 whether a person acquires a right in a controllable electronic record and the right
15 the person acquires.

16 (4) A purchaser of a controllable electronic record acquires all rights in the
17 controllable electronic record that the transferor had or had power to transfer,
18 except that a purchaser of a limited interest in a controllable electronic record
19 acquires rights only to the extent of the interest purchased.

20 (5) A qualifying purchaser acquires its rights in the controllable electronic
21 record free of a claim of a property right in the controllable electronic record.

22 (6) Except as provided in subs. (1) and (5) for a controllable account and a
23 controllable payment intangible or law other than this chapter, a qualifying

BILL**SECTION 253**

1 purchaser takes a right to payment, right to performance, or other interest in
2 property evidenced by the controllable electronic record subject to a claim of a
3 property right in the right to payment, right to performance, or other interest in
4 property.

5 (7) An action may not be asserted against a qualifying purchaser based on
6 both a purchase by the qualifying purchaser of a controllable electronic record and
7 a claim of a property right in another controllable electronic record, whether the
8 action is framed in conversion, replevin, constructive trust, equitable lien, or other
9 theory.

10 (8) Filing of a financing statement under ch. 409 is not notice of a claim of a
11 property right in a controllable electronic record.

12 **412.105 Control of controllable electronic record.** (1) A person has
13 control of a controllable electronic record if the electronic record, a record attached
14 to or logically associated with the electronic record, or a system in which the
15 electronic record is recorded does all of the following:

16 (a) Gives the person all of the following:

17 1. Power to avail itself of substantially all the benefit from the electronic
18 record.

19 2. Exclusive power, subject to sub. (2), to do all of the following:

20 a. Prevent others from availing themselves of substantially all the benefit
21 from the electronic record.

22 b. Transfer control of the electronic record to another person or cause another

BILL**SECTION 253**

1 person to obtain control of another controllable electronic record as a result of the
2 transfer of the electronic record.

3 (b) Enables the person readily to identify itself in any way, including by name,
4 identifying number, cryptographic key, office, or account number, as having the
5 powers specified in par. (a).

6 (2) Subject to sub. (3), a power is exclusive under sub. (1) (a) 2. a. and b. even
7 if any of the following applies:

8 (a) The controllable electronic record, a record attached to or logically
9 associated with the electronic record, or a system in which the electronic record is
10 recorded limits the use of the electronic record or has a protocol programmed to
11 cause a change, including a transfer or loss of control or a modification of benefits
12 afforded by the electronic record.

13 (b) The power is shared with another person.

14 (3) A power of a person is not shared with another person under sub. (2) (b)
15 and the person's power is not exclusive if all of the following apply:

16 (a) The person can exercise the power only if the power also is exercised by the
17 other person.

18 (b) Any of the following applies to the other person:

19 1. The other person can exercise the power without exercise of the power by
20 the person.

21 2. The other person is the transferor to the person of an interest in the
22 controllable electronic record or a controllable account or controllable payment
23 intangible evidenced by the controllable electronic record.

BILL**SECTION 253**

1 (4) If a person has the powers specified in sub. (1) (a) 2. a. and b., the powers
2 are presumed to be exclusive.

3 (5) A person has control of a controllable electronic record if any of the
4 following applies to another person, other than the transferor to the person of an
5 interest in the controllable electronic record or a controllable account or
6 controllable payment intangible evidenced by the controllable electronic record:

7 (a) The other person has control of the electronic record and acknowledges
8 that it has control on behalf of the person.

9 (b) The other person obtains control of the electronic record after having
10 acknowledged that it will obtain control of the electronic record on behalf of the
11 person.

12 (6) A person that has control under this section is not required to acknowledge
13 that it has control on behalf of another person.

14 (7) If a person acknowledges that it has or will obtain control on behalf of
15 another person, unless the person otherwise agrees or law other than this chapter
16 or ch. 409 otherwise provides, the person does not owe any duty to the other person
17 and is not required to confirm the acknowledgment to any other person.

18 **412.106 Discharge of account debtor on controllable account or**
19 **controllable payment intangible.** (1) An account debtor on a controllable
20 account or controllable payment intangible may discharge its obligation by paying
21 any of the following:

22 (a) The person having control of the controllable electronic record that
23 evidences the controllable account or controllable payment intangible.

BILL**SECTION 253**

1 (b) Except as provided in sub. (2), a person that formerly had control of the
2 controllable electronic record.

3 (2) Subject to sub. (4), the account debtor may not discharge its obligation by
4 paying a person that formerly had control of the controllable electronic record if the
5 account debtor receives a notification that satisfies all of the following:

6 (a) It is signed by a person that formerly had control or the person to which
7 control was transferred.

8 (b) It reasonably identifies the controllable account or controllable payment
9 intangible.

10 (c) It notifies the account debtor that control of the controllable electronic
11 record that evidences the controllable account or controllable payment intangible
12 was transferred.

13 (d) It identifies the transferee, in any reasonable way, including by name,
14 identifying number, cryptographic key, office, or account number.

15 (e) It provides a commercially reasonable method by which the account debtor
16 is to pay the transferee.

17 (3) After receipt of a notification that complies with sub. (2), the account
18 debtor may discharge its obligation by paying in accordance with the notification
19 and may not discharge the obligation by paying a person that formerly had control.

20 (4) (a) Subject to sub. (8), notification is ineffective under sub. (2) unless,
21 before the notification is sent, the account debtor and the person that, at that time,
22 had control of the controllable electronic record that evidences the controllable
23 account or controllable payment intangible agree in a signed record to a

BILL**SECTION 253**

1 commercially reasonable method by which a person may furnish reasonable proof
2 that control has been transferred.

3 (b) Subject to sub. (8), notification is ineffective under sub. (2) to the extent an
4 agreement between the account debtor and seller of a payment intangible limits the
5 account debtor's duty to pay a person other than the seller and the limitation is
6 effective under law other than this chapter.

7 (c) Subject to sub. (8), notification is ineffective under sub. (2) at the option of
8 the account debtor, if the notification notifies the account debtor to do any of the
9 following:

10 1. Divide a payment.

11 2. Make less than the full amount of an installment or other periodic
12 payment.

13 3. Pay any part of a payment by more than one method or to more than one
14 person.

15 (5) Subject to sub. (8), if requested by the account debtor, the person giving
16 the notification under sub. (2) seasonably shall furnish reasonable proof, using the
17 method in the agreement referred to in sub. (4) (a), that control of the controllable
18 electronic record has been transferred. Unless the person complies with the
19 request, the account debtor may discharge its obligation by paying a person that
20 formerly had control, even if the account debtor has received a notification under
21 sub. (2).

22 (6) A person furnishes reasonable proof under sub. (5) that control has been

BILL**SECTION 253**

1 transferred if the person demonstrates, using the method in the agreement referred
2 to in sub. (4) (a), that the transferee has the power to do all of the following:

3 (a) Avail itself of substantially all the benefit from the controllable electronic
4 record.

5 (b) Prevent others from availing themselves of substantially all the benefit
6 from the controllable electronic record.

7 (c) Transfer the powers specified in pars. (a) and (b) to another person.

8 (7) Subject to sub. (8), an account debtor may not waive or vary its rights
9 under subs. (4) (a) and (5) or its option under sub. (4) (c).

10 (8) This section is subject to law other than this chapter which establishes a
11 different rule for an account debtor who is an individual and who incurred the
12 obligation primarily for personal, family, or household purposes.

13 **412.107 Governing law.** (1) Except as provided in sub. (2), the local law of
14 a controllable electronic record's jurisdiction governs a matter covered by this
15 chapter.

16 (2) For a controllable electronic record that evidences a controllable account
17 or controllable payment intangible, the local law of the controllable electronic
18 record's jurisdiction governs a matter covered by s. 412.106 unless an effective
19 agreement determines that the local law of another jurisdiction governs.

20 (3) The following rules determine a controllable electronic record's
21 jurisdiction under this section:

22 (a) If the controllable electronic record, or a record attached to or logically
23 associated with the controllable electronic record and readily available for review,

BILL**SECTION 253**

1 expressly provides that a particular jurisdiction is the controllable electronic
2 record's jurisdiction for purposes of this chapter or chs. 401 to 412, that jurisdiction
3 is the controllable electronic record's jurisdiction.

4 (b) If par. (a) does not apply and the rules of the system in which the
5 controllable electronic record is recorded are readily available for review and
6 expressly provide that a particular jurisdiction is the controllable electronic record's
7 jurisdiction for purposes of this chapter or chs. 401 to 412, that jurisdiction is the
8 controllable electronic record's jurisdiction.

9 (c) If pars. (a) and (b) do not apply and the controllable electronic record, or a
10 record attached to or logically associated with the controllable electronic record and
11 readily available for review, expressly provides that the controllable electronic
12 record is governed by the law of a particular jurisdiction, that jurisdiction is the
13 controllable electronic record's jurisdiction.

14 (d) If pars. (a), (b), and (c) do not apply and the rules of the system in which
15 the controllable electronic record is recorded are readily available for review and
16 expressly provide that the controllable electronic record or the system is governed
17 by the law of a particular jurisdiction, that jurisdiction is the controllable electronic
18 record's jurisdiction.

19 (e) If pars. (a) to (d) do not apply, the controllable electronic record's
20 jurisdiction is the District of Columbia.

21 (4) If sub. (3) (e) applies and the District of Columbia has not enacted
22 provisions substantially similar to this chapter, the governing law for a matter

BILL**SECTION 253**

1 covered by this chapter is the law of the District of Columbia as though the District
2 of Columbia had enacted provisions identical to this chapter.

3 (5) To the extent subs. (1) and (2) provide that the local law of the controllable
4 electronic record's jurisdiction governs a matter covered by this chapter, that law
5 governs even if the matter or a transaction to which the matter relates does not bear
6 any relation to the controllable electronic record's jurisdiction.

7 (6) The rights acquired under s. 412.104 by a purchaser or qualifying
8 purchaser are governed by the law applicable under this section at the time of
9 purchase.

10 **SECTION 254.** 421.103 (1) of the statutes is amended to read:

11 421.103 (1) Unless superseded by the particular provisions of chs. 421 to 427,
12 chs. 401 to ~~411~~ 412 and the principles of law and equity, including the law relative
13 to capacity to contract, principal and agent, estoppel, fraud, misrepresentation,
14 duress, coercion, mistake, bankruptcy, or other validating or invalidating cause
15 supplement chs. 421 to 427.

16 **SECTION 255.** 421.103 (2) of the statutes is amended to read:

17 421.103 (2) Unless terms used in chs. 421 to 427 are defined by particular
18 provisions of chs. 421 to 427, they shall have the meaning given them in chs. 401 to
19 ~~411~~ 412 and 429, if they are defined in chs. 401 to ~~411~~ 412 and 429, except for the
20 term "value" in s. 412.102 (1) (d).

21 **SECTION 256.** 421.103 (3) of the statutes is amended to read:

22 421.103 (3) Unless superseded by the particular provisions of chs. 421 to 427

BILL**SECTION 256**

1 parties to a consumer transaction have all of the obligations, duties, rights and
2 remedies provided in chs. 401 to ~~411~~ 412 which apply to the transaction.

3 **SECTION 257.** 425.209 (3) of the statutes is amended to read:

4 425.209 (3) If the merchant repossesses or accepts voluntary surrender of
5 goods which were not the subject of the sale but in which the merchant has a
6 security interest to secure a debt arising from a sale of goods or services or a
7 combined sale of goods and services and the amount owing at the time of default
8 was \$1,000 or less, the customer is not personally liable to the merchant for the
9 unpaid balance of the debt arising from the sale, and the merchant's duty to dispose
10 of the collateral is governed by the provisions on disposition of collateral under chs.
11 401 to ~~411~~ 412.

12 **SECTION 258.** 425.209 (4) of the statutes is amended to read:

13 425.209 (4) If the lender takes possession or accepts voluntary surrender of
14 goods in which the lender has a security interest to secure a debt arising from a
15 consumer loan in which the lender is subject to defenses arising from sales (s.
16 422.408) and the amount owing at the time of default of the loan paid to or for the
17 benefit of the customer were \$1,000 or less, the customer is not personally liable to
18 the lender for the unpaid balance of the debt arising from the loan and the lender's
19 duty to dispose of the collateral is governed by the provisions on disposition of
20 collateral under chs. 401 to ~~411~~ 412.

21 **SECTION 259.** 618.42 (3) (a) of the statutes is amended to read:

22 618.42 (3) (a) *Sales of personal property.* Any insurance on personal property
23 sold on the installment plan or under a conditional sales contract or equivalent

BILL**SECTION 259**

1 security agreement under chs. 401 to ~~411~~ 412 for which a charge is made to the
2 buyer as a part of the consideration in the agreement of sale shall be placed with an
3 insurer authorized to do business in this state.

4 **SECTION 260.** 707.28 (2) (b) of the statutes is amended to read:

5 707.28 (2) (b) *Time-share licenses.* A security interest in, or a lien for
6 assessments under s. 707.37 on, a time-share license may be foreclosed under chs.
7 401 to ~~411~~ 412.

8 **SECTION 261.** 779.97 (4) (a) 1. of the statutes is amended to read:

9 779.97 (4) (a) 1. With the department of financial institutions, the filing
10 officer shall cause the notice to be dealt with in accordance with s. 409.519 as if the
11 notice were a financing statement within the meaning of chs. 401 to ~~411~~ 412; or

12 **SECTION 262.** 779.97 (4) (b) of the statutes is amended to read:

13 779.97 (4) (b) 1. If a refiling of a notice of lien is presented to the department
14 of financial institutions for filing, the filing officer shall cause the refiled notice of
15 federal lien to be dealt with in accordance with s. 409.519 as if the refiling were a
16 continuation statement within the meaning of chs. 401 to ~~411~~ 412.

17 2. If a certificate of release is presented to the department of financial
18 institutions for filing, the filing officer shall cause the certificate to be dealt with in
19 accordance with s. 409.513 as if the certificate were a termination statement within
20 the meaning of chs. 401 to ~~411~~ 412, and the filing officer may remove the notice of
21 federal lien and any related refiling of a notice of lien, certificate of nonattachment,
22 discharge, or subordination from the files at any time after receipt of the certificate
23 of release, but the department of financial institutions shall keep the certificate of

BILL**SECTION 262**

1 release or a microfilm or other photographic record or optical disc or electronic
2 record of the certificate of release in a file, separate from those containing currently
3 effective notices of liens, for a period of 30 years after the date of filing of the
4 certificate of release.

5 3. If a certificate of discharge is presented to the department of financial
6 institutions for filing, the filing officer shall cause the certificate to be dealt with as
7 if the certificate were an amendment that deletes collateral within the meaning of
8 chs. 401 to ~~411~~ 412.

9 4. If a certificate of nonattachment or subordination of any lien is presented to
10 the department of financial institutions for filing, the filing officer shall cause the
11 certificate to be dealt with as if the certificate were an amendment that deletes
12 collateral within the meaning of chs. 401 to ~~411~~ 412.

13 **SECTION 263.** 909.02 (9) of the statutes is amended to read:

14 909.02 (9) COMMERCIAL PAPER AND RELATED DOCUMENTS. Commercial paper,
15 signatures thereon, and documents relating thereto to the extent provided by chs.
16 401 to ~~411~~ 412.

17 **SECTION 264. Nonstatutory provisions.**

18 (1) GENERAL SAVINGS PROVISION. Except as provided in subch. IX of ch. 409,
19 as created by this act, a transaction validly entered into before the effective date of
20 this subsection and the rights, duties, and interests flowing from the transaction
21 remain valid thereafter and may be terminated, completed, consummated, or
22 enforced as required or permitted by law other than chs. 401 to 411 or, if applicable,
23 chs. 401 to 411, as though this act had not taken effect.

BILL

SECTION 265

1 SECTION 265. Effective date.

2 (1) This act takes effect on the first day of the 4th month beginning after
3 publication.

4 (END)