

### **355.3-602 Payment.**

- (1) Subject to subsection (5) of this section, an instrument is paid to the extent payment is made by or on behalf of a party obliged to pay the instrument and to a person entitled to enforce the instrument.
- (2) Subject to subsection (5) of this section, a note is paid to the extent payment is made by or on behalf of a party obliged to pay the note to a person that formerly was entitled to enforce the note only if at the time of the payment the party obliged to pay has not received adequate notification that the note has been transferred and that payment is to be made to the transferee. A notification is adequate only if it is signed by the transferor or the transferee; reasonably identifies the transferred note; and provides an address at which payments subsequently are to be made. Upon request, a transferee shall seasonably furnish reasonable proof that the note has been transferred. Unless the transferee complies with the request, a payment to the person that formerly was entitled to enforce the note is effective for purposes of subsection (3) of this section even if the party obliged to pay the note has received a notification under this subsection.
- (3) Subject to subsection (5) of this section, to the extent of a payment under subsections (1) and (2) of this section, the obligation of the party obliged to pay the instrument is discharged even though payment is made with knowledge of a claim to the instrument under KRS 355.3-306 by another person.
- (4) Subject to subsection (5) of this section, a transferee, or any party that has acquired rights in the instrument directly or indirectly from a transferee, including any such party that has rights as a holder in due course, is deemed to have notice of any payment that is made under subsection (2) of this section after the date that the note is transferred to the transferee but before the party obliged to pay the note receives adequate notification of the transfer.
- (5) The obligation of a party to pay the instrument is not discharged under subsections (1) to (4) of this section if:
  - (a) A claim to the instrument under KRS 355.3-306 is enforceable against the party receiving payment; and
    1. Payment is made with knowledge by the payor that payment is prohibited by injunction or similar process of a court of competent jurisdiction; or
    2. In the case of an instrument other than a cashier's check, teller's check, or certified check, the party making payment accepted, from the person having a claim to the instrument, indemnity against loss resulting from refusal to pay the person entitled to enforce the instrument; or
  - (b) The person making payment knows that the instrument is a stolen instrument and pays a person it knows is in wrongful possession of the instrument.
- (6) As used in the section, "signed," with respect to a record that is not a writing, includes the attachment to or logical association with the record of an electronic symbol, sound, or process with the present intent to adopt or accept the record.

**Effective:** July 12, 2006

**History:** Amended 2006 Ky. Acts ch. 242, sec. 42, effective July 12, 2006. -- Repealed and reenacted 1996 Ky. Acts ch. 130, sec. 65, effective January 1, 1997. -- Created 1958 Ky. Acts ch. 77, sec. 3-602, effective July 1, 1960.