

355.4-103 Variation by agreement -- Measure of damages -- Action constituting ordinary care.

- (1) The effect of the provisions of this article may be varied by agreement, but the parties to the agreement cannot disclaim a bank's responsibility for its lack of good faith or failure to exercise ordinary care or limit the measure of damages for the lack or failure. However, the parties may determine by agreement the standards by which the bank's responsibility is to be measured if those standards are not manifestly unreasonable.
- (2) Federal Reserve regulations and operating circulars, clearing-house rules, and the like have the effect of agreements under subsection (1) of this section, whether or not specifically assented to by all parties interested in items handled.
- (3) Action or nonaction approved by this article or pursuant to Federal Reserve regulations or operating circulars is the exercise of ordinary care and, in the absence of special instructions, action or nonaction consistent with clearing-house rules and the like or with a general banking usage not disapproved by this article, is prima facie the exercise of ordinary care.
- (4) The specification or approval of certain procedures by this article is not disapproval of other procedures that may be reasonable under the circumstances.
- (5) The measure of damages for failure to exercise ordinary care in handling an item is the amount of the item reduced by an amount that could not have been realized by the exercise of ordinary care. If there is also bad faith it includes any other damages the party suffered as a proximate consequence.

Effective: January 1, 1997

History: Amended 1996 Ky. Acts ch. 130, sec. 74, effective January 1, 1997. -- Created 1958 Ky. Acts ch. 77, sec. 4-103, effective July 1, 1960.