PAYMENT SYSTEMS (Law A511)
Spring 2009 - Syllabus
Mondays and Wednesdays, 1:30 p.m. 3:50 p.m., Room 133
Professor Anita Ramasastry
William Gates Hall 417
Email: arama@u.washington.edu
Office Hours: Wednesdays, 10:30 to 12:30 p.m., or by appointment

I. Overview

Required Texts:


COMPREHENSIVE COMMERCIAL LAW 2009 STATUTORY SUPPLEMENT by Ronald J. Mann, Elizabeth Warren and Jay Lawrence Westbrook or equivalent supplement

Additional Reference Materials:

Stephen C. Veltri, The ABCs of the UCC Article 3 (Negotiable Instruments), Article 4: Bank Deposits and Collections, published by The Section on Business Law, American Bar Association. This reference can be ordered by going to http://www.abanet.org/. An excellent slim primer on Articles 3 and 4. Short and concise.


Course Website:
The course syllabus, answers to all problems, additional links and reference materials, as well as answers to questions posed by students will all be posted on the course website: https://courses.law.washington.edu/ramasastry/A511a_Sp09/

Objectives and Goals of the Course:

This course is aimed at a broad audience including:
• students interested in working as solo practitioners or legal services lawyers who may advise individual consumer clients;
• students who may engage in banking, finance and corporate law;
• students who may work for Internet companies;
• students interested in learning more about how to work with the Uniform Commercial Code and
• International students who want to learn about payment systems in a comparative perspective.

This course also gives students an overview of the commercial paper materials typically tested on state bar examinations.

Whether you realize it or not, you are already intimately familiar with the highly technical world of payment systems. You write checks. You use a credit card. You have probably transferred
funds electronically. You pay your bills online. You withdraw cash funds from automated teller machines (ATMs) and make payments at supermarkets through point of sale (POS) terminals. You may have even had a paycheck directly deposited into your bank account.

In most instances, problems do not arise. Yet, when problems do arise, either for consumers or businesses, the law of payment systems becomes relevant. This course is meant to introduce students to various types of payment instruments or mechanisms and also payment systems (i.e., various means of payment that have separate or distinct legal, regulatory or contractual rules). Some of the major themes we will explore in this class include:

- The process of negotiation and collecting (i.e., paying and getting paid)
- Loss allocation (who pays when there is a problem)
- Consumer protection (how do consumers differ from commercial parties)
- Balancing goals such as reliability (of a payment system), efficiency, and social equity
- Emerging payment systems using new technology and the Internet

The goals of the course include:

- Familiarizing students with the relevant laws and regulations governing payments systems including Articles 3, 4 and 4A of the Uniform Commercial Code (UCC), Federal Reserve Regulations, etc.
- Teaching students how to read, understand and work with the UCC and other types of code (also useful for understanding administrative law and regulations
- Understanding the relationship between the UCC and common law precedent
- Reviewing the role of the Federal Reserve as a regulator and participant in payment systems
- Gaining practical understanding of the types of transactions and cases that lawyers handle in the payment systems area
- Learning about emerging payment systems including Internet-based systems
- Improving problem solving and analytic skills

II. Grading

Class Participation (Problem Sets): 10%. Students will be asked to prepare the answers to two problems sets during the course of the quarter and to serve as experts for two days. Please submit your written answers to Professor Ramasastry your answers no later than the end of the class for which you are an expert. You will need to sign up as an expert no later than Friday, April 3, at 5 p.m. Each problem set is worth 5 points (or five percent) of your grade. Failure to turn in your written answers or to participate actively as an expert may result in a loss of up to 5 points per assignment. Class participation is worth 10% of your final grade.

Final Exam: 90%. The final exam will consist of five short-answer problems worth 90% of your final grade.

III. Assignments (all references are to the Mann casebook)
First Segment Checking Accounts as the Paradigm Payment System & Systems for Enhancing Liquidity: Negotiability

March 30 - Monday

Assignment 22 Transfer and Enforcement of Negotiable Instruments and Problem Set 22
Begin Assignment 23 Transfer and Enforcement of Negotiable Instruments and Problem Set 23

April 1 – Wednesday

Continue Discussion – Problem Set 23
Assignment 24: Holders in Due Course and Problem Set 24

April 6 - Monday

Read Introduction to Part I of Mann textbook

Assignment 4: Risk of Loss in the Checking System – The Basic Framework and Problem Set 4

April 8 – Wednesday

Assignment 1: The Basic Checking Relationship and Problem Set 1

April 13 - Monday

Assignment 5 – Special Rules for Checking Losses and Problem Set 5

Second Segment: Electronic Payments

April 15 – Wednesday

Assignment 7: The Credit Card System and Problem Set 7

April 20 – Monday

Assignment 8 – Error and Fraud in Credit Card Transactions and Problem Set 8

April 22 – Wednesday

Assignment 9 – Debit Cards and Problem Set 9

Begin Discussion of Assignment 10: Electronic Checks and Automated Clearinghouse Payments

April 27 – Monday

Continue Discussion of Assignment 10 and Problem Set 10
Begin Discussion of Assignment 11: The Wire Transfer System

April 29 – Wednesday

Discussion of Problem Set 11
Assignment 12: Error in Wire Transfer Transactions and Problem Set 12

May 4 – Monday

Assignment 13: Advanced Topics in Wire-Transfer Transactions and Problem Set 13

Discuss intro to Chapter 3: Developing Payment Systems

May 6 – Wednesday

Assignment 14: Internet Payments and Problem Set 14

Assignment 19: Letters of Credit – the Basics and Problem Set 19

May 11 – Monday

Assignment 20: Letters of Credit Advanced Topics and Problem Set 21

May 13 – Wednesday

Last Day of Class – In Class Review for final exam