



**WISCONSIN LEGISLATIVE COUNCIL
ACT MEMO**

2003 Wisconsin Act 86 [2003 Senate Bill 53]	Regulating the Negotiation and Collection of Demand Drafts
2003 Acts: www.legis.state.wi.us/2003/data/acts/	Act Memos: www.legis.state.wi.us/lc/act_memo/act_memo.htm

Background

A demand draft is like a check created by a third party. Like a check, a demand draft contains the account and routing information necessary to route it through the account holder's bank. Unlike a check, the demand draft does not contain the account holder's signature. The third party that creates the demand draft claims to be acting under the account holder's authorization. Thus, the demand draft contains a statement such as "No signature required."

2003 Wisconsin Act 86

The Uniform Commercial Code imposes certain warranties with regard to the account holder's authentication of a demand draft. 2003 Act 86 (the act) creates additional warranties. Under the Act, a person who transfers a demand draft for consideration, or who obtains payment for a demand draft from the account holder's bank warrants that the account holder authorized the creation of the demand draft according to the terms on its face. When the third party that created the demand draft deposits it in his or her bank, the third party warrants that the account holder authorized the creation of the demand draft according to the terms on its face. The same warranty applies to any bank, other than the account holder's bank, that subsequently handles that demand draft for collection.

Effective Date: The act takes effect on December 11, 2003.

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This memo provides a brief description of the Act. For more detailed information,
consult the text of the law and related legislative documents.