

TITLE 5: UNIFORM COMMERCIAL CODE
DIVISION 3: COMMERCIAL PAPER

§ 3419. Conversion of Instrument; Innocent Representative.

(1) An instrument is converted when:

(a) A drawee to whom it is delivered for acceptance refuses to return it on demand; or

(b) Any person to whom it is delivered for payment refuses on demand either to pay or to return it; or

(c) It is paid on a forged indorsement.

(2) In an action against a drawee under subsection (1) of this section the measure of the drawee's liability is the face amount of the instrument. In any other action under subsection (1) of this section the measure of liability is presumed to be the face amount of the instrument.

(3) Subject to the provisions of this title concerning restrictive indorsements a representative, including a depositary or collecting bank, who has in good faith and in accordance with the reasonable commercial standards applicable to the business of such representative dealt with an instrument or its proceeds on behalf of one who was not the true owner is not liable in conversion or otherwise to the true owner beyond the amount of any proceeds remaining in his hands.

(4) An intermediary bank or payor bank which is not a depositary bank is not liable in conversion solely by reason of the fact that proceeds of an item indorsed restrictively (5 CMC §§ 3205 and 3206) are not paid or applied consistently with the restrictive indorsement of an indorser other than its immediate transferor.

Source: PL 3-56, § 1 (§ 3419).