

Section 9-406 in New York

N.Y. U.C.C. LAW § 9-406

AS ENACTED · THE COMPLETE SECTION

- (a) Discharge of account debtor; effect of notification. Subject to subsections (b) through (i), an account debtor on an account, chattel paper, or a payment intangible may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, signed by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.
- (b) When notification ineffective. Subject to subsections (g) and (i), notification is ineffective under subsection (a): (1) if it does not reasonably identify the rights assigned; (2) to the extent that an agreement between an account debtor and a seller of a payment intangible limits the account debtor's duty to pay a person other than the seller and the limitation is effective under law other than this article; or (3) at the option of an account debtor, if the notification notifies the account debtor to make less than the full amount of any installment or other periodic payment to the assignee, even if: (A) only a portion of the account, chattel paper, or payment intangible has been assigned to that assignee; (B) a portion has been assigned to another assignee; or (C) the account debtor knows that the assignment to that assignee is limited.
- (c) Proof of assignment. Subject to subsections (g) and (i), if requested by the account debtor, an assignee shall seasonably furnish reasonable proof that the assignment has been made. Unless the assignee complies, the account debtor may discharge its obligation by paying the assignor, even if the account debtor has received a notification under subsection (a).
- (d) Term restricting assignment generally ineffective. For purposes of this subsection, "promissory note" includes a negotiable instrument that evidences chattel paper. Except as otherwise provided in subsection (e) and Sections 2-A-303 and 9--407, and subject to subsection (g), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it: (1) prohibits, restricts, or requires the consent of the account debtor or person obligated on the promissory note to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, the account, chattel paper, payment intangible, or promissory note; or (2) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the account, chattel paper, payment intangible, or promissory note.
- (e) Inapplicability of subsection (d) to certain sales. Subsection (d) does not apply to the sale of a payment intangible or promissory note.
- (f) Subsection (b)(3) not waivable. Subject to subsections (g) and (i), an account debtor may not waive or vary its option under subsection (b)(3).
- (g) Rule for individual under other law. This section is subject to a rule of law, statute, rule or regulation other than this article which establishes a different rule for an account debtor who is an individual and who incurred the obligation primarily for personal, family, or household purposes.
- (h) Inapplicability. This section does not apply to: (1) an assignment of a health care insurance receivable to the extent such assignment conflicts with other law or the parties have otherwise agreed in writing that such receivable is non-assignable, (2) a claim or right to receive compensation for injuries or sickness as described in 26 U.S.C. § 104(a)(1) and (2), as amended from time to time, or (3) a claim or right to receive benefits under a special needs trust as described in 42 U.S.C. § 1396p (d)(4), as amended from time to time.
- (i) Inapplicability of certain subsections. Subsections (a), (b), (c) and (f) do not apply to a controllable account or controllable payment intangible.

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New York Consolidated Laws, Uniform Commercial Code

The New York State Senate

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