

BILLS OF EXCHANGE AND PROMISSORY NOTES ACT

Act No. 1001, Jan. 20, 1962
Amended by Act No. 5009, Dec. 6, 1995
Act No. 8441, May 17, 2007

PART I BILLS OF EXCHANGE CHAPTER I ISSUE AND FORM OF BILLS OF EXCHANGE

Article 1 (Requirements for Bills of Exchange)

A bill of exchange shall contain: *<Amended by Act No. 5009, Dec. 6, 1995>*

1. The term "bill of exchange" inserted in the body of the instrument and expressed in the language employed in drawing up the instrument;
2. An unconditional order to pay a determinate sum of money;
3. The name of the person who is to pay;
4. A statement of the time of payment;
5. A statement of the place where payment is to be made;
6. The name of the person to whom payment is to be made or the person who order payment is to be made to whom;
7. A statement of the date and of the place where the bill is issued; and
8. The name and seal or the signature of the person who issues the bill.

Article 2 (Defect of Requirements)

(1) An instrument in which any of the requirements mentioned in each subparagraph of the preceding Article is wanting shall be invalid as a bill of exchange, except in the cases specified in the following paragraphs.

<Amended by Act No. 5009, Dec. 6, 1995>

- (2) A bill of exchange in which the time of payment is not specified shall be deemed to be payable at sight.
- (3) In default of special mention, the place specified beside the name of the drawee shall be deemed to be the place of payment, and at the same

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time the place of the domicile of the drawee.

(4) A bill of exchange which does not mention the place of its issue shall be deemed to have been drawn in the place mentioned beside the name of the drawer.

Article 3 (Bill Payable to Drawer's Order, on Drawer Himself, for Account of Third Person)

(1) A bill of exchange may be drawn payable to drawer's order.

(2) A bill of exchange may be drawn on the drawer himself.

(3) A bill of exchange may be drawn for account of a third person.

Article 4 (Stipulation of Payment at Domicile of Third Person)

A bill of exchange may be payable at the domicile of a third person either in the locality where the drawee has his domicile or in another locality.

Article 5 (Stipulation of Interest)

(1) When a bill of exchange is payable at sight, or at a fixed period after sight, the drawer may stipulate that the sum payable shall bear interest. In the case of any other bill of exchange, this stipulation is deemed not to be valid.

(2) The rate of interest shall be specified in the bill; in default of such specification, the stipulation shall be not to be written.

(3) Interest runs from the date of the bill of exchange, unless some other date is specified.

Article 6 (Discrepancies regarding Sum Payable)

(1) When the sum payable by a bill of exchange is expressed in words and also in figures, and there is a discrepancy between the two, the sum denoted by the words shall be the amount payable.

(2) Where the sum payable by a bill of exchange is expressed more than once in words or more than once in figures and there is a discrepancy, the smaller sum shall be the sum payable.

Article 7 (Independent Nature of Obligations of a Bill)

If a bill of exchange bears names and seals or signatures of persons incapable of binding themselves by a bill of exchange, or forged names and seals or signatures, or names and seals or signatures of fictitious persons, or names and seals or signatures which for any other reason can not bind the persons who wrote their names and affixed their seals or put their signatures on the bill of exchange or on whose behalf the names and seals were written and affixed or signatures were put on it, the

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obligations of the other persons who wrote their names and affixed their seals or put their signatures on it shall be nonetheless valid. *<Amended by Act No. 5009, Dec. 6, 1995>*

Article 8 (Name and Seal or Signature by Unauthorized Representative)

Who ever writes his name and affixes his seal or puts his signature on a bill of exchange as representing a person for whom he has no power to act shall be bound himself as a party to the bill and, if he pays, shall have the same rights as the person for whom he purported to act. The same rule shall apply to a representative who has exceeded his powers. *<Amended by Act No. 5009, Dec. 6, 1995>*

Article 9 (Liability of Drawer)

- (1) The drawer shall guarantee both acceptance and payment.
- (2) The drawer may release himself from guaranteeing acceptance; every stipulation by which he releases himself from the guarantee of payment shall be deemed not to be written.

Article 10 (Incomplete Instruments)

If a bill of exchange, which was incomplete when issued, has been completed otherwise than in accordance with the agreements entered into, the nonobservance of such agreements may not be set up against the holder unless he has acquired the bill of exchange in bad faith or, in acquiring it, has been guilty of gross negligence.

CHAPTER II ENDORSEMENT

Article 11 (Bill to Order)

- (1) Every bill of exchange, even if not expressly drawn to order, may be transferred by means of endorsement.
- (2) When the drawer has inserted in a bill of exchange the words "not to order" or an equivalent expression, the instrument can only be transferred according to the form, and with the effects of an ordinary assignment, of a nominative claim.
- (3) The bill may be endorsed even in favour of the drawee, whether he has accepted or not, or of the drawer, or of any other party to the bill. These persons may re-endorse the bill.

Article 12 (Requisites for Endorsement)

- (1) An endorsement shall be unconditional. Any condition to which it is

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made subject shall be deemed not to be written.

(2) A partial endorsement shall be null and void.

(3) An endorsement of "to bearer" shall be equivalent to an endorsement in blank.

Article 13 (Form of Endorsement)

(1) An endorsement shall be written on the bill of exchange or on a slip affixed thereto. The endorser shall write his name and affix his seal or sign on it. *<Amended by Act No. 5009, Dec. 6, 1995>*

(2) The endorsement may leave the beneficiary unspecified or may consist simply of the name and seals or signature of the endorser (endorsement in blank). In the latter case, the endorsement, to be valid, shall be written on the back of the bill of exchange or on the slip attached thereto. *<Amended by Act No. 5009, Dec. 6, 1995>*

Article 14 (Effect of Endorsement Transferring All Rights)

(1) An endorsement shall transfer all the rights arising out of a bill of exchange.

(2) If the endorsement is in blank, the holder may:

1. Fill up the blank either with his own name or with the name of some other person;
2. Re-endorse the bill in blank, or to some other person; and
3. Transfer the bill to a third person without filling up the blank, and without endorsing it.

Article 15 (Effect of Endorsement Guaranteeing Acceptance and Payment)

(1) In the absence of any contrary stipulation, the endorser shall guarantee acceptance and payment.

(2) The endorser may prohibit any further endorsement; in this case, he shall give no guarantee to the persons to whom the bill is subsequently endorsed.

Article 16 (Effect of Endorsement Establishing Title and *Bona Fide* Acquisition)

(1) The possessor of a bill of exchange shall be deemed to be the lawful holder if he establishes his title to the bill through an uninterrupted series of endorsements, even if the last endorsement is in blank. In this connection, cancelled endorsements shall be deemed not to be written. When an endorsement in blank is followed by another endorsement, the person who signed this last endorsement shall be deemed to have acquired the

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bill by the endorsement in blank.

(2) Where a person has been dispossessed of a bill of exchange, in any manner whatsoever, the holder who establishes his right thereto in the manner mentioned in the preceding paragraph shall be not bound to give up the bill unless he has acquired it in bad faith, or unless in acquiring it he has been guilty of gross negligence.

Article 17 (Restriction against Personal Defenses)

Persons sued on a bill of exchange can not set up against the holder defences founded on their personal relations with the drawer or with previous holders, unless the holder, in acquiring the bill, has knowingly acted to the detriment of the debtor.

Article 18 (Endorsement for Collection)

(1) When an endorsement contains the statements "value in collection", "for collection", "by procuration" or any other phrase implying a simple mandate, the holder may exercise all rights arising out of the bill of exchange, but he can only endorse it in his capacity as agent.

(2) In the case of the preceding paragraph, the parties liable can only set up against the holder defences which could be set up against the endorser.

(3) The mandate contained in an endorsement by procuration shall not terminate by reason of the death of the party giving the mandate or by reason of his becoming legally incapable.

Article 19 (Endorsement for Pledge)

(1) When an endorsement contains the statements "value in security", "value in pledge", or any other statement implying a pledge, the holder may exercise all the rights arising out of the bill of exchange, but an endorsement by him shall have the effects only of an endorsement by an agent.

(2) In the case of the preceding paragraph, the parties liable can not set up against the holder defences founded on their personal relations with the endorser, unless the holder, in receiving the bill, has knowingly acted to the detriment of the debtor.

Article 20 (Endorsement after Maturity)

(1) An endorsement after maturity shall have the same effects as an endorsement before maturity. Nevertheless, an endorsement, after protest for non-payment, or after the expiration of the limit of time fixed for

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drawing up the protest, shall operate only as an ordinary assignment.

(2) Failing proof to the contrary, an endorsement without the date shall be deemed to have been placed on the bill before the expiration of the limit of time fixed for drawing up the protest.

CHAPTER III ACCEPTANCE

Article 21 (Freedom of Presentment for Acceptance)

Until maturity, a bill of exchange may be presented to the drawee for acceptance at his domicile, either by the holder or by a person who is merely in possession of the bill.

Article 22 (Stipulation or Prohibition of Presentment for Acceptance)

(1) In any bill of exchange, the drawer may stipulate that it shall be presented for acceptance with or without fixing a limit of time for presentment.

(2) Except in the case of a bill payable at the address of a third party or in a locality other than that of the domicile of the drawee, or, except in the case of a bill drawn payable at a fixed period after sight, the drawer may stipulate in the bill that the presentment for acceptance shall be prohibited.

(3) The drawer may also stipulate that presentment for acceptance shall not take place before a named date.

(4) Unless the drawer has prohibited the presentment for acceptance, every endorser may stipulate that the bill shall be presented for acceptance, with or without fixing a limit of time for presentment.

Article 23 (Limit of Time for Presentment of Bill Payable at Fixed Period after Sight)

(1) Bills of exchange payable at a fixed period after sight shall be presented for acceptance within one year of their date.

(2) The drawer may abridge or extend the period under the preceding paragraph.

(3) The periods mentioned in the preceding two paragraphs may be abridged by the endorsers.

Article 24 (Grace Period)

(1) The drawee may demand that a bill shall be presented to him a second time on the day after the first presentment. Parties interested are not

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allowed to set up that this demand has not been complied with unless this request is mentioned in the protest.

(2) The holder shall not be obliged to surrender to the drawee a bill presented for acceptance.

Article 25 (Form of Acceptance)

(1) An acceptance shall be written on the bill of exchange. It shall be expressed by the word "accepted" or any other equivalent term. The drawee shall write his name and affix his seal or put his signature on it. The simple name and seal or signature of the drawee on the face of the bill shall constitute an acceptance. *<Amended by Act No. 5009, Dec. 6, 1995>*

(2) When the bill is payable at a certain time after sight, or when it must be presented for acceptance within a certain limit of time in accordance with a special stipulation, the acceptance shall be dated as of the day when the acceptance is given, unless the holder requires it shall be dated as of the day of presentment. If it is undated, the holder, in order to preserve his right of recourse against the endorsers and the drawer, shall authenticate the omission by a protest drawn up within the proper time.

Article 26 (Conditional Acceptance)

(1) An acceptance is unconditional, but the drawee may restrict it to part of the sum payable.

(2) Every other modification introduced by an acceptance into the tenor of the bill of exchange shall operate as a refusal to accept. Nevertheless, the acceptor shall be bound according to the terms of his acceptance.

Article 27 (Indication of Payment at Address of Third Party)

(1) When the drawer of a bill has indicated a place of payment other than the domicile of the drawee without specifying a third party at whose address payment must be made, the drawee may name such third party at the time of acceptance. In default of this indication, the acceptor shall be deemed to have undertaken to pay the bill himself at the place of payment.

(2) If a bill is payable at the domicile of the drawee, the drawee may, in his acceptance, indicate an address in the same place where payment is to be made.

Article 28 (Effect of Acceptance)

(1) By accepting, the drawee shall undertake to pay the bill of exchange at its maturity.

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(2) In default of payment, the holder, even if he is the drawer, shall have a direct action on the bill of exchange against the acceptor for all that can be demanded in accordance with Articles 48 and 49.

Article 29 (Cancellation of Acceptance)

(1) Where the drawee who has put his acceptance on a bill has cancelled it before restoring the bill, acceptance shall be deemed to be refused. Failing proof to the contrary, the cancellation shall be deemed to have taken place before the bill was restored.

(2) Notwithstanding the provisions of the preceding paragraph, if the drawee has notified his acceptance in writing to the holder or to any party who has written his name and affixed his seal or put his signature on the bill, he shall be liable to such parties according to the terms of his acceptance. *<Amended by Act No. 5009, Dec. 6, 1995>*

CHAPTER IV "AVALS"

Article 30 (Availability of "Aval")

(1) Payment of a bill of exchange may be guaranteed by an "aval" as to the whole or part of its amount.

(2) The guarantee under the preceding paragraph may be given by a third person or even by a person who has written his name and affixed his seal or put his signature on the bill. *<Amended by Act No. 5009, Dec. 6, 1995>*

Article 31 (Form of "Aval")

(1) The "aval" shall be given either on the bill itself or on an "allonge" attached thereto.

(2) The guarantee shall be expressed by the word "good as aval" or by any other equivalent formula. The giver of the "aval" shall write his name and affix his seal or put his signature on the bill. *<Amended by Act No. 5009, Dec. 6, 1995>*

(3) The "aval" shall be deemed to be constituted by the mere name and seal or signature of the giver of the "aval" placed on the face of the bill, except in the case of the name and seal or signature of the drawee or of the drawer. *<Amended by Act No. 5009, Dec. 6, 1995>*

(4) An "aval" shall specify for whose account it is given. In default of this, it shall be deemed to be given for the drawer.

Article 32 (Effect of "Aval")

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- (1) The giver of an "*aval*" shall be bound in the same manner as the person for whom he has become guarantor.
- (2) His undertaking shall be valid even when the liability which he has guaranteed is inoperative for any reason other than defect of form.
- (3) The giver of "*aval*" shall have, when he pays a bill of exchange, the rights arising out of the bill of exchange against the person guaranteed and against those who are liable to the latter on the bill of exchange.

CHAPTER V MATURITY

Article 33 (Kinds of Maturities)

- (1) A bill of exchange may be drawn payable:
 1. At sight;
 2. At a fixed period after sight;
 3. At a fixed period after date; and
 4. At a fixed date.
- (2) Bills of exchange payable at other maturities or payable by installments are null and void.

Article 34 (Maturity of Bill Payable at Sight)

- (1) A bill of exchange at sight shall be payable on presentment. It shall be presented for payment within a year of its date. The drawer may abridge or extend this period. These periods may be abridged by the endorsers.
- (2) The drawer may prescribe that a bill of exchange payable at sight must not be presented for payment before a named date. In this case, the period for presentation shall begin from the said date.

Article 35 (Maturity of Bill Payable at Fixed Period after Sight)

- (1) The maturity of a bill of exchange payable at a fixed period after sight shall be determined either by the date of the acceptance or by the date of the protest.
- (2) In the absence of the protest, an undated acceptance shall be deemed, so far as regards the acceptor, to have been given on the last day of the limit of time for presentment for acceptance.

Article 36 (Determination of Maturity Date and Computation of Period)

- (1) Where a bill of exchange is payable one or more months after date or after sight, the bill shall mature on the corresponding date of the month

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when payment must be made. If there be no corresponding date, the bill shall mature on the last day of this month.

(2) When a bill of exchange is drawn at one or more months and a-half after date or sight, entire months shall first be calculated.

(3) If the maturity is fixed at the commencement, in the middle or at the end of the month, the first, fifteenth or last day of the month is to be understood.

(4) The expressions "eight days" or "fifteen days" shall not indicate one or two weeks, but a period of eight or fifteen full days.

(5) The expression "half-month" shall mean a period of fifteen days.

Article 37 (Calendar as Basis of Determining Maturity)

(1) When a bill of exchange is payable on a fixed day in a place where the calendar is different from the calendar in the place of issue, the date of maturity shall be deemed to be fixed according to the calendar of the place of payment.

(2) When a bill of exchange drawn between two places having different calendars is payable at a fixed period after date, the day of issue shall referred to the corresponding day of the calendar in the place of payment, and the maturity shall be fixed accordingly.

(3) The time for presenting bills of exchange shall be calculated in accordance with the rules of the preceding paragraph.

(4) The provisions under the preceding three paragraphs shall not apply if a stipulation in the bill of or even the simple terms of the instrument indicate an intention to adopt some different rules.

CHAPTER VI PAYMENT

Article 38 (Presentment for Payment)

(1) The holder of a bill of exchange payable on a fixed day or at a fixed period after date or after sight shall present the bill for payment either on the day on which it is payable or on one of the two business days which follow.

(2) The presentment of a bill of exchange at a clearing-house shall be equivalent to a presentment for payment.

(3) Such presentment for payment prescribed by paragraph (2) is considered finished, when a financial institution entrusted with collection

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of a bill of exchange by a holder (hereafter referred to as "presentment financial institutions" in this Chapter) electronically prepare items to be filled out on the bill of exchange via information processing system in the form of electronic information, and such information is transferred to a clearing-house and then inputted into information processing system of such clearing-house. *<Newly Inserted by Act No. 8441, May 17, 2007>*

Article 39 (Giving Bill, Partial Payment)

- (1) The drawee who pays a bill of exchange may require that a receipt shall be given to him by the holder.
- (2) No holder may refuse partial payment.
- (3) In case of partial payment, the drawee may require to mention the payment made on the bill, and require a receipt to be given to him.

Article 40 (Payment before Maturity, Liability of Drawee to Verify)

- (1) The holder of a bill of exchange cannot be compelled to receive payment thereof before maturity.
- (2) The drawee who pays before maturity shall do so at his own risk and peril.
- (3) The drawee who pays at maturity shall be validly discharged, unless he has been guilty of fraud or gross negligence. He shall be bound to verify the regularity of the series of endorsements, but not the name and seal or signature of the endorsers. *<Amended by Act No. 5009, Dec. 6, 1995>*
- (4) In cases of presentment for payment pursuant to Article 38 (3), a drawee or financial institutions entrusted with payments by a drawee may entrust a presentment financial institution with verification the regularity of the series of endorsements, which was prescribed by the latter part of paragraph (3). *<Newly Inserted by Act No. 8441, May 17, 2007>*

Article 41 (Currency in which Drawee is to Pay)

- (1) When a bill of exchange is drawn payable in a currency which is not that of the place of payment, the sum payable may be paid in the currency of the country, according to its value on the date of maturity. If the debtor is in default, the holder may at his option demand that the amount of the bill be paid in the currency of the country according to the rate on the day of maturity or the day of payment.
- (2) The usages of the place of payment shall determine the value of foreign currency. Nevertheless, the drawer may stipulate that the sum payable shall be calculated according to a rate expressed in the bill.

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(3) The provisions of the preceding two paragraphs shall not apply to the case in which the drawer has stipulated that payment must be made in a certain specified currency (stipulation for effective payment in foreign currency).

(4) If the amount of the bill of exchange is specified in a currency having the same denomination, but a different value in the country of issue and the country of payment, reference shall be deemed to be made to the currency of the place of payment.

Article 42 (Deposit of Bill Amount)

When a bill of exchange is not presented for payment within the limit of time fixed by Article 38, every debtor is authorized to deposit the amount with the competent authority at the charge, risk and peril of the holder.

CHAPTER VII RECOURSE FOR NON- ACCEPTANCE OR NON-PAYMENT

Article 43 (Substantial Requisites of Recourse)

The holder may exercise his right of recourse against the endorsers, the drawer and the other parties liable, if payment has not been made at maturity. The right of recourse may be exercised even before maturity under the following cases:

1. If there has been total or partial refusal to accept;
2. In the event of the bankruptcy of the drawee, whether he has accepted or not, or in the event of a stoppage of payment on his part, or where execution has been levied against his goods without result; and
3. In the event of the bankruptcy of the drawer of a non-acceptable bill.

Article 44 (Formal Requisites of Recourse)

- (1) Default of acceptance or on payment shall be evidenced by notarized certificate (protest for non-acceptance or non-payment).
- (2) Protest for non-acceptance shall be made within the limit of time fixed for presentment for acceptance. If in the case contemplated by Article 24 (1), the first presentment takes place on the last day of that time, the protest may nevertheless be drawn up on the next day.
- (3) Protest for non-payment of a bill of exchange payable on a fixed day

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or at a fixed period after date or sight shall be made on one of the two business days following the day on which the bill is payable. In the case of a bill payable at sight, the protest shall be drawn up under the conditions specified in the preceding paragraph for drawing up of a protest for non-acceptance.

(4) Protest for non-acceptance shall dispense with presentment for payment and protest for non-payment.

(5) If there is a stoppage of payment on the part of the drawee, whether he has accepted or not, or if execution has been levied against his goods without result, the holder cannot exercise his right of recourse until after presentment of the bill to the drawee for payment and after the protest has been drawn up.

(6) If the drawee, whether he has accepted or not, is declared bankrupt, or in the event of the declared bankruptcy of the drawer of a non-acceptable bill, the production of the judgment declaring the bankruptcy shall suffice to enable the holder to exercise his right of recourse.

Article 45 (Notice of non-acceptance and of non-payment)

(1) The holder shall give notice of non-acceptance or non-payment to his endorser and to the drawer within four business days which follow the day for protest or, in case of a stipulation "*retour sans frais*", the day for presentment. Every endorser shall, within two business days following the day on which he receives notice, notify his endorser of the notice he has received, mentioning the names and addresses of those who have given the previous notices, and so on through the series until the drawer is reached. The periods mentioned above shall run from the receipt of the preceding notice.

(2) When, in conformity with the preceding paragraph, notice is given to a person who has wrote his name and affixed his seal or put his signature on a bill of exchange, the same notice shall be given within the same limit of time to his *avaliseur*. <Amended by Act No. 5009, Dec. 6, 1995>

(3) Where an endorser either has not specified his address or has specified it in an illegible manner, it shall be sufficient that notice should be given to the preceding endorser.

(4) A person who must give notice may give it in any form whatever, even by simply returning the bill of exchange.

(5) A person who must give notice shall prove that he has given notice

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within the time allowed. This time-limit shall be regarded as having been observed if a letter giving the notice has been posted within the prescribed time.

(6) Even a person who does not give notice within the limit of time mentioned in the preceding paragraph shall not forfeit his rights. He shall be responsible for the injury, if any, caused by his negligence, but the damages shall not exceed the amount of the bill of exchange.

Article 46 (Release from Drawing up Protest)

(1) The drawer, an endorser or a person guaranteeing payment by *aval* may, by the stipulation "*retour sans frais*", "*sans protest*", or any other equivalent expression written on the instrument and by writing his name and affixing his seal or putting his signature thereon, release the holder from having a protest of non-acceptance or non-payment drawn up in order to exercise his right of recourse. <Amended by Act No. 5009, Dec. 6, 1995>

(2) The stipulation under the preceding paragraph shall not release the holder from presenting the bill within the prescribed time, or from the notices he has to give. The burden of proving the non-observance of the limits of time shall lie on the person who seeks to set it up against the holder.

(3) If the stipulation under paragraph (1) is written by the drawer, it shall operative in respect of all persons who have written their names and affixed their seals or putting their signatures on the bill; if it is written by an endorser or an *avaliseur*, it shall be operative only in respect of such endorser or an *avaliseur*. If, in spite of the stipulation written by the drawer, the holder has the protest drawn up, he shall bear the expenses thereof. When the stipulation emanates from an endorser or *avaliseur*, the costs of the protest, if one is drawn up, may be recovered from all the persons who have written their names and affixed their seals or putting their signatures on the bill.

Article 47 (Joint Liabilities of Parties)

(1) All drawers, accepters, endorsers or guarantors by *aval* of a bill of exchange shall be jointly and severally liable to the holder.

(2) The holder shall have the right of proceeding against all the persons under the preceding paragraph, individually or collectively, without being required to observe the order in which they have become bound.

(3) The same right as that of the holder under paragraph (2) shall be

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possessed by any person under the bill who has taken it up and paid it.

(4) Proceedings against one of the parties liable shall not prevent proceedings against the others, even though they may be subsequent to the party first proceeded against.

Article 48 (Amount of Recourse by Holder)

(1) The holder may recover from the person against whom he exercises his right of recourse:

1. The amount of the unaccepted or unpaid bill of exchange with interest, if interest has been stipulated for;
2. Interest at the rate of 6 percent a year from the date of maturity; and
3. The expenses of protest and of the notices given as well as other expenses.

(2) If the right of recourse is exercised before maturity, the amount of the bill shall be subject to a discount. This discount shall be calculated according to the official rate of discount (bank-rate) ruling on the date when recourse is exercised at the place of domicile of the holder.

Article 49 (Amount of Recourse by Party)

A party who takes up and pays a bill of exchange can recover from the parties liable to him:

1. The entire sum which he has paid;
2. Interest on the said sum calculated at the rate of 6 percent a year, starting from the day when he made payment; and
3. Any expenses which he has incurred.

Article 50 (Right of Party Liable for Recourse)

(1) Every party liable against whom a right of recourse is or may be exercised, can require against payment, that the bill shall be given up to him with the protest and a receipt account.

(2) Every endorser who has taken up and paid a bill of exchange may cancel his own endorsement and those of subsequent endorsers.

Article 51 (Recourse after Partial Acceptance)

In the case of the exercise of the right of recourse after a partial acceptance, the party who pays the sum in respect of which the bill has not been accepted can require that this payment shall be specified on the bill and that he shall be given a receipt therefor. The holder shall also give him a certified copy of the bill, together with the protest, in

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order to enable subsequent recourse to be exercised.

Article 52 (Recourse by Redraft)

(1) Every person having the right of recourse may, in the absence of agreement to the contrary, reimburse himself by means of a fresh bill (redraft) to be drawn at sight on one of the parties liable to him and payable at the domicile of that party.

(2) The redraft shall include, in addition to the sums mentioned in Articles 48 and 49, brokerage and the cost of stamping the redraft.

(3) If the redraft is drawn by the holder, the sum payable shall be fixed according to the rate for a sight bill drawn at the place where the original bill was payable upon the party liable at the place of his domicile. If the redraft is drawn by an endorser, the sum payable shall be fixed according to the rate for a sight bill drawn at the place where the drawer of the redraft is domiciled upon the place of the domicile of the party liable.

Article 53 (Loss of Right of Recourse)

(1) The holder shall lose his right of recourse against the endorsers, against the drawer and against the other parties liable to him, with the exception of the acceptor, after the expiration of the limits of time fixed:

1. For the presentment of a bill of exchange drawn at sight or at a fixed period after sight;
2. For drawing up the protest for non-acceptance or non-payment; and
3. For presentment for payment in the case of a stipulation "*reptour sans frais*".

(2) In default of presentment for acceptance within the limit of time stipulated by the drawer, the holder shall lose his right of recourse for non-payment, as well as for non-acceptance, unless it appears from the terms of the stipulation that the drawer only meant to release himself from the guarantee of acceptance.

(3) If the stipulation for a limit of time for presentment is contained in an endorsement, the endorser alone can avail himself of it.

Article 54 (Extension of Limit of Time by *Vis Major*)

(1) Should the presentment of the bill of exchange or the drawing up of the protest within the prescribed limits of time be prevented by an insurmountable obstacle (legal prohibition by any State or other case of *vis major*), these limits of time shall be extended.

(2) The holder shall be bound to give notice, without delay, of the case

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of *vis major* to his endorser and to specify this notice, which he must date and write his name or affix his seal or put his signature, on the bill or on an *allonge*; in other respects, the provisions of Article 45 shall apply *mutatis mutandis*. <Amended by Act No. 5009, Dec. 6, 1995>

(3) When *vis major* has terminated, the holder shall without delay present the bill of exchange for acceptance or payment and, if needed be, drawn up the protest.

(4) If *vis major* continues to operate beyond thirty days after maturity, recourse may be exercised, and neither presentment nor the drawing up of a protest shall be necessary.

(5) In the case of bills of exchange drawn at sight or at a fixed period after sight, the time limit of thirty days shall run from the date on which the holder, even before the expiration of the time for presentment, has given notice of *vis major* to his endorser. In the case of bills of exchange drawn at a certain time after sight, the above time-limit of thirty days shall be added to the period after sight specified in the bill of exchange.

(6) Facts which are purely personal to the holder or to the person whom he has entrusted with the presentment of the bill or drawing up of the protest shall not be deemed to constitute cases of *vis major*.

CHAPTER VIII INTERVENTION FOR HONOR

SECTION 1 Common Provisions

Article 55 (Relevant Parties, Notice)

(1) The drawer, an endorser or a person giving an *aval* may specify a person who is to accept or pay in case of need.

(2) A bill of exchange may, in accordance with the provision of this Chapter, be accepted or paid by a person who intervenes for the honor of any debtor against whom a right of recourse exists.

(3) The person intervening may be a third party, even the drawee, or, save the acceptor, a party already liable on the bill of exchange.

(4) The person intervening shall be bound to give, within two business days, notice of his intervention to the party for whose honor he has intervened. In default, he shall be responsible for the injury, if any, due to his negligence, but the damages shall not exceed the amount of the bill of exchange.

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SECTION 2 Acceptance by Intervention

Article 56 (Requisites of Acceptance by Intervention)

(1) There may be acceptance by intervention in all cases where the holder has a right of recourse before maturity on a bill which is capable of acceptance.

(2) When the bill of exchange indicates a person who is designated to accept or pay it in case of need at the place of payment, the holder may not exercise his right of recourse before maturity against the person naming such referee in case of need and against subsequent signatories, unless he has presented the bill of exchange to the referee in case of need and until, if acceptance is refused by the latter, this refusal has been authenticated by a protest.

(3) In cases of intervention other than those specified in the preceding paragraph, the holder may refuse an acceptance by intervention. Nevertheless, if he allows it, he shall lose his right of recourse before maturity against the person on whose behalf such acceptance was given and against subsequent signatories.

Article 57 (Form of Acceptance by Intervention)

Acceptance by intervention shall be specified on the bill of exchange. The intervening person shall write his name and affix his seal or put his signature on the bill. It mentions the person for whose honor it has been given and, in default of such mention, the acceptance shall be deemed to have been given for the honor of the drawer. *<Amended by Act No. 5009, Dec. 6, 1995>*

Article 58 (Effect of Acceptance by Intervention)

(1) The acceptor by intervention shall be liable to the holder and to the endorsers subsequent to the party for whose honor he intervened, in the same manner as such party.

(2) Notwithstanding the acceptance by intervention, the party for whose honor it has been given and the parties liable to him may require the holder, in exchange for payment of the sum mentioned in Article 48, to deliver the bill, the protest, and a receipt account, if any.

SECTION 3 Payment by Intervention

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Article 59 (Requisites of Payment by Intervention)

- (1) Payment by intervention may take place in all cases where, either at maturity or before maturity, the holder has a right of recourse on the bill.
- (2) Payment shall include the whole amount payable by the party for whose honor it is made.
- (3) Payment shall be made at the latest on the day following the last day allowed for drawing up the protest for non-payment.

Article 60 (Presentment for Payment by Intervention)

- (1) If a bill of exchange has been accepted by persons intervening who are domiciled at the place of payment, or if persons domiciled therein have been named as referee in case of need, the holder shall present the bill to all these persons and, if necessary, have a protest for non-payment drawn up at the latest on the day following the last day allowed for drawing up the protest.
- (2) In default of protest within this limit of time specified in the preceding paragraph, the party who has named the referee in case of need, or for whose account the bill has been accepted, and the subsequent endorsers shall be discharged.

Article 61 (Effect of Refusal of Payment by Intervention)

The holder who refuses payment by intervention shall lose his right of recourse against any persons who would have been discharged thereby.

Article 62 (Method of Payment by Intervention)

- (1) Payment by intervention shall be authenticated by a receipt given on the bill of exchange mentioning the person for whose honor payment has been made. In default of such mention, payment shall be deemed to have been made for the honor of the drawer.
- (2) The bill of exchange and the protest, if any, shall be given up to the person paying by intervention.

Article 63 (Effect of Payment by Intervention)

- (1) The person paying by intervention shall acquire the rights arising out of the bill of exchange against the party for whose honor he has paid and against persons who are liable to the latter on the bill of exchange. Nevertheless, he can not re-endorse the bill of exchange.
- (2) Endorsers subsequent to the party for whose honor payment has been made shall be discharged.

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(3) In case of competition for payment by intervention, the payment which effects the greater number of releases shall have the preference. Any person who, with the knowledge of the facts, intervenes in a manner contrary to this rule, shall lose his right of recourse against those who would have been discharged.

CHAPTER IX PARTS OF A SET, AND COPIES

SECTION 1 Parts of a Set

Article 64 (Manner of Issue of Set)

- (1) A bill of exchange can be drawn in a set of two or more identical parts.
- (2) The parts in the preceding paragraph shall be numbered in the body of the instrument itself; in default, each part shall be considered as a separate bill of exchange. *<Amended by Act No. 5009, Dec. 6, 1995>*
- (3) Every holder of a bill which does not specify that it has been drawn as a sole bill may, at his own expense, require the delivery of two or more parts. For this purpose he shall apply to his immediate endorser, who is bound to assist him in proceeding against his own endorser, and so on in the series until the drawer is reached. The endorsers shall be bound to reproduce their endorsements on the new parts of the set.

Article 65 (Effect of Parts of Set)

- (1) Payment made on one part of a set shall operate as a discharge, even though there is no stipulation that this payment annuls the effect of the other parts. Nevertheless, the drawee shall be liable on each accepted part which he has not recovered.
- (2) An endorser who has transferred parts of a set to different persons, as well as subsequent endorsers, shall be liable on all the parts bearing their name and seal or signature which have not been restored. *<Amended by Act No. 5009, Dec. 6, 1995>*

Article 66 (Sending Part for Acceptance)

- (1) A party who has sent one part for acceptance shall indicate on the other parts the name of the person in whose hands this part is to be found. That person shall be bound to give it up to the lawful holder of another part.
- (2) If he refuses to give it up, the holder cannot exercise his right of recourse until he has had a protest drawn up specifying:

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1. That the part sent for acceptance has not been given up to him on his demand; and
2. That acceptance or payment could not be obtained on another of the parts.

SECTION 2 Copies

Article 67 (Drawing up, Form and Effect of Copies)

- (1) Every holder of a bill of exchange shall have the right to make copies of it.
- (2) A copy shall reproduce the original exactly, with the endorsements and all other statements to be found therein. It shall specify where the copy ends.
- (3) A copy may be endorsed, and guaranteed by *aval*, in the same manner and with the same effects as the original.

Article 68 (Rights of Holders of Copies)

- (1) A copy shall specify the person in possession of the original instrument. The latter is bound to hand over the said instrument to the lawful holder of the copy.
- (2) If he refuses to hand it over, the holder may not exercise his right of recourse against the persons who have endorsed the copy or guaranteed it by *aval* until he has had a protest drawn up specifying that the original has not been given up to him on his demand.
- (3) Where the original instrument, after the last endorsement before the making of the copy, contains a clause "commencing from here, an endorsement shall be only valid if made on the copy" or some equivalent formula, a subsequent endorsement on the original shall be null and void.

CHAPTER X ALTERATION

Article 69 (Alteration and Liability of Person who Has Altered Bill)

In case of the alteration of the text of a bill of exchange, parties who have written their names and affixed their seals or signed subsequent to the alteration shall be bound according to the terms of the altered text; parties who have written their names and affixed their seals or signed before the alteration shall be bound according to the terms of the original text. <Amended by Act No. 5009, Dec. 6, 1995>

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CHAPTER XI LIMITATION OF ACTIONS

Article 70 (Period of Limitation)

(1) All actions arising out of a bill of exchange against the acceptor shall be barred after three years, reckoned from the date of maturity.

(2) Actions by the holder against the endorsers and against the drawer shall be barred after one year from the date of a protest drawn up within the proper time, or from the date of maturity where there is a stipulation *retour sans frais*.

(3) Actions by endorsers against each other and against the drawer shall be barred after six months, reckoned from the day when the endorser took up and paid the bill or from the day when he himself was sued.

Article 71 (Interruption of Period of Limitation)

Interruption of the period of limitation shall be only effective against the person in respect of whom the cause of interruption has taken place.

CHAPTER XII COMMON PROVISIONS

Article 72 (Holiday)

(1) Payment of a bill of exchange which falls due on a legal holiday can not be demanded until the next business day. So too, all other proceedings relating to a bill of exchange, in particular, presentment for acceptance and protest, can only be taken on a business day.

(2) Where any of the proceedings specified in the preceding paragraph must be taken within a certain limit of time the last day of which is a legal holiday, the limit of time shall be extended until the first business day which follows the expiration of that time. Intermediate holidays shall be included in computing limits of time.

Article 73 (Day of Commencement)

Legal or contractual limits of time shall not include the day on which the period commences.

Article 74 (Days of Grace)

No days of grace, whether legal or judicial, shall be permitted.

PART II PROMISSORY NOTES

Article 75 (Requirements)

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A promissory note shall contain: <Amended by Act No. 5009, Dec. 6, 1995>

1. The term "promissory note" inserted in the body of the instrument and expressed in the language employed in drawing up the instrument;
2. An unconditional promise to pay a determinate sum of money;
3. A statement of the time of payment;
4. A statement of the place where payment is to be made;
5. The name of the person to whom or to whose order payment is to be made;
6. A statement of the date and of the place where the promissory note is issued; and
7. The name and seal or the signature of the person who issues the instrument.

Article 76 (Defect of Requirements)

- (1) An instrument in which any of the requirements mentioned in the preceding Article are wanting shall be invalid as a promissory note, except in the cases specified in the following paragraphs. <Amended by Act No. 5009, Dec. 6, 1995>
- (2) A promissory note in which the time of payment is not specified shall be deemed to be payable at sight.
- (3) In default of special mention, the place where the instrument is made shall be deemed to be the place of payment and at the same time the place of the domicile of the mention.
- (4) A promissory note which does not mention the place of its issue shall be deemed to have been made in the place mentioned beside the name of the maker.

Article 77 (Application of Provisions on Bill of Exchange)

- (1) The following provisions relating to bills of exchange shall apply *mutatis mutandis* to promissory notes so far as they are not inconsistent with the nature of these instruments:
 1. Endorsement (Articles 11 through 20);
 2. Time of payment (Articles 33 through 37);
 3. Payment (Articles 38 through 42);
 4. Recourse in case of non-payment (Articles 43 through 50, 52 through 54);
 5. Payment by intervention (Articles 55, 59 through 63);
 6. Copies (Articles 67 and 68);

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7. Alterations (Article 69);
8. Limitation of Actions (Articles 70 and 71); and
9. Holidays, computation of limits of time and prohibition of days of grace (Articles 72 through 74).

(2) The following provisions shall be also applicable *mutatis mutandis* to a promissory note: the provisions concerning a bill of exchange payable at the address of a third party or in a locality other than that of the domicile of the drawee (Articles 4 and 27), stipulation for interest (Article 5), discrepancies as regards the sum payable (Article 6), the consequence of name and seal or signature which cannot impose the liability under a bill of exchange (Article 7), the consequences of name and seal or signature by a person who acts without authority or who exceeds his authority (Article 8), and provisions concerning a bill of exchange in blank (Article 10). <Amended by Act No. 5009, Dec. 6, 1995>

(3) Provisions related to guarantee by *aval* (Articles 30 through 32) shall be also applicable *mutatis mutandis* to a promissory note. In the case of provided for in Article 31 (4), if the *aval* does not specify on whose behalf it has been given, it shall be deemed to have been given on behalf of the maker of the promissory note.

Article 78 (Liability of Maker, Special Provision of Promissory Notes Payable at Certain Time after Sight)

- (1) The maker of a promissory note shall be bound in the same manner as an acceptor of a bill of exchange.
- (2) Promissory notes payable at a certain time after sight shall be presented for the visa of the maker within the limits of time fixed by Article 23. The limit of time shall run from the date of the visa with regard to which the maker writes his name and affixes his seal or sign. The refusal of the maker to give his visa with the date thereon shall be authenticated by a protest (Article 25), the date of which marks the commencement of the period of time after sight. <Amended by Act No. 5009, Dec. 6, 1995>

ADDENDA

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Article 79 (Claims for Reimbursement of Benefits)

Even in cases where rights arising out of a bill of exchange or promissory note have been extinguished on account of any failure to take the requisite proceedings or of limitation of actions, the holder may claim reimbursement against the drawer, acceptor or endorser to the extent of the benefit received by such party.

Article 80 (Interruption of Period of Limitation by Giving Notice of Action)

(1) The period of limitation of any claim on a bill of exchange or promissory note by an endorser against another endorser and against the drawer shall, in cases where an action has been brought against the endorser, be interrupted by his giving notice of such action to the relevant party who is prior to him.

(2) Period of Limitation which has been interrupted in accordance with the provisions of the preceding paragraph shall begin to run anew from the time when the decision thereon has become final and conclusive.

Article 81 (Definition of Holiday)

The term "holiday" within the meaning of this Act shall comprise national holidays and public holidays, Sundays and other general holidays.

Article 82 (Bills and Notes Issued prior to Enforcement of this Act)

With regard to bills of exchange and promissory notes issued prior to the enforcement of this Act, the old provisions shall remain applicable.

Article 83 (Designation of Clearinghouse)

The clearinghouse referred to in Article 38 (2) (including the case where the same paragraph is applicable *mutatis mutandis* under Article 77 (1)) shall be specified by the Minister of Justice.

Article 84 (Matters as to Protest)

Matters relating to the drawing up of a protest shall be prescribed by Presidential Decree. <Amended by Act No. 5009, Dec. 6, 1995>

Article 85 (Enforcement Date, Repeal of Old Act)

(1) This Act shall enter into force on January 1, 1963.

(2) The Act on Bills, effected in Korea under Article 1 of the *Chosun* Civil Affairs Decree, shall be effective until the time when this Act becomes effective.

ADDENDUM <Act No. 5009, Dec. 6, 1995>

BILLS OF EXCHANGE AND PROMISSORY NOTES ACT

This Act shall enter into force on the date of its promulgation.

ADDENDUM <Act No. 8441, May 18, 2007>

This Act shall enter into force six months after its promulgation.