

Proposed Amendment to Article 5 of the Uniform Commercial Code
To Conform Article 5 to Articles 12(c) and 18 of
The United Nations Convention on Independent Guarantees and Standby Letters of
Credit

5-119. Letters of Credit Under the United Nations Convention on Independent Guarantees and Standby Letters of Credit

(a) [**Only Letters of Credit covered by the Convention**] This Section applies only to letters of credit that are brought within the United Nations Convention on Independent Guarantees and Standby Letters of Credit by Articles 1 through 4 of the Convention.

(b) [**No Stated Expiration Date**] If there is no stated expiration date or other provision that determines its duration, a letter of credit expires 6 years after the date on which it was issued.

(c) [**Set-off**] Except as otherwise provided in this subsection, an issuer may discharge its obligation to pay a beneficiary by set-off. An issuer may not set-off a claim against the beneficiary that has been assigned to the issuer by the applicant,

(d) [**Inferences for letters not covered by the Convention**] A court may not draw any inference about the appropriate rules for set-off for letters of credit not covered by the Convention from the rules stated in this Section.

Transition Provisions for new UCC § 5-119

x) This [Act] applies to undertakings issued after the effective date of this [Act]. This [Act] does not apply to a transaction, event, obligation or duty arising out of or associated with an undertaking that was issued before the effective date of this [Act].

y) A transaction arising out of or associated with an undertaking that was issued before the effective date of this [Act] and the rights, obligations, and interests flowing from that transaction are governed by any statute or other law amended by this [Act] as if the amendment had not occurred and may be terminated, completed, consummated, or enforced under that statute or other law.