# Bill of Exchange Law in Europe – 2

Requirements of Bill of Exchange and Promissory

Note

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### Discussion questions

- What is the major objective of "Geneva Bill of Exchange System" (1930)?
- What are the types of commercial papers?
- What are the parties of a note? To a bill of exchange (draft)?
- What liability does a maker have on a note?
- What liability does a drawer have on a bill of exchange?
- What liability does a drawee have on a bill of exchange?
- Describe the principal types of payment via note and bill of exchange (payment by a bill of exchange (bill of exchange issued "pro soluto") and payment by means of bill of exchange (bill of exchange issued "pro solvendo")

## **Promissory Note**

- Special variant of a credit paper
- Promise of a drawer (maker) to pay to a creditor (payee) certain financial sum
- Characteristic expression "I will pay"
- Two basic participants maker and creditor (payee).
- Maker of a promissory note is a direct debtor obliged by his sign to pay at the maturity

#### Promissory Note

Brno, January 1, 2005

I promise to pay for this promissory note to the order of Jan Král, Husova 15, Brno, the sum of 20.000,- CZK.

at: Brno, Husova 15, 602 00

Paul Maker Husova 16, Brno (signature)

## Bill of Exchange

- higher number of participants
- drawer, payee and drawee
- payment order of a drawer to a drawee to pay certain financial sum to a payee
- characteristic expression "Pay to".

#### Bill of exchange

In Prague, January 1, 2005

For this bill of exchange pay to the order of Franck Payee the sum of One hundred USD.

Drawee:

Karel Nowak Brno, Úvoz 1 602 00

At: Brno, Úvoz 1, 602 00

Jan Pleva Brno, Joštova 8 (signature of the drawer) Jan Pleva

## Participants of the Bill of Exchange and Promissory Note

#### Drawer (maker)

- maker of a promissory note obliges himself to pay at the maturity, direct debtor
- drawer of a bill of exchange (trasant) is in a position of indirect, regress debtor (Article 9)

#### Payee

- person, in whose favour the bill is issued,
- "remitent,
- person named on the face of the bill of exchange or a promissory note to receive payment

#### Drawee

- addressee of payment promise of the drawer
- a real debtor only by the acceptance (till this moment he is obliged only potentially; under certain circumstances he even does not have to know that he became a drawee)

## Participants of the Bill of Exchange and Promissory Note II

- Persons giving an aval guarantee
  - Section 30-32
  - special guarantee for payment of a bill ("aval,").
  - guarantee my be given by a person who has signed the bill as well
  - the giver of an aval is bound in the same manner as the person for whom he has become a guarantor
- Parties of endorsement
  - Indorser
  - Indorsee

### Form of Bill of Exchange and Note

- "Commercial Paper" = Writing
- Certificated v. Paperless form
- The bill can not be entered in a book like shares or bonds
- Printing, typewriting, handwriting or any other tangible form
- Easily movable substance
- Degree of permanence?
  - Check on the shirt
  - Note on the tissue.
  - Note on the wall
  - "Negotiable cow"
  - Bill of exchange on the back

### Form of Bill of Exchange and Note

 "If there is no place for other statements, a copy of the paper (Article I, Section 67 BECA) or allonge (Article I, Section 13 BECA) can be used.

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### Signature

- The bill of exchange or promissory note must be signed by the drawer or maker
- The signature may be made only by handwriting by pen or pencil, not by typewriter, by print or only by stamp or fingerprints (dabs)
- Text of the paper is usually a result of filling in and signing of blank forms

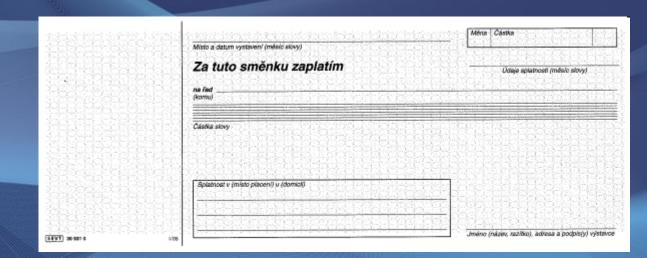
### Forms of writing

- UCC (USA) § 3-114. CONTRADICTORY TERMS OF INSTRUMENT
- If an instrument contains contradictory terms, typewritten terms prevail over printed terms, handwritten terms prevail over both, and words prevail over numbers.



## Words prevail over numbers in European Law

sum of money relating to bills of exchange expressed differently in figures and words



## Stipulation relating to bills of exchange

- Two cumulative preconditions:
  - part of the text of the bill of exchange
  - written in the language in which the whole document is written

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At: Brno, Úvoz 1, 602 00

Jan Pleva Brno, Joštova 8 (signature of the drawer) Jan Pleva

## Payment order, drawee

- Unconditional payment order
- Name of the drawee

#### Bill of exchange

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Drawee:

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At: Brno, Úvoz 1, 602 00

Jan Pleva Brno, Joštova 8 (signature of the drawer) Jan Pleva

## Maturity

| Maturity<br>(Draft of Promissory<br>Note payable) | Legal Regulation<br>in Article I BECA | Model Clause   |
|---|---------------------------------------|--|
| At sight  | Section 34                            | "at sight", "at presentation",<br>"after sight", "on demand" |
| At a fixed period<br>after sight                  | Section 35                            | "one month after sight"                                      |
| At a fixed period<br>after the date of drawing    | Section 33                            | "pay in a month after drawing"                               |
| On a fixed day                                    | Section 33                            | "on 4 <sup>th</sup> January 2005"                            |