

CHAPTER IX.

DISCHARGE OF NEGOTIABLE INSTRUMENTS.

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138. A negotiable instrument is discharged :

1. By payment in due course by or on behalf of the principal debtor ;
2. By payment in due course by the party accommodated, where the instrument is made or accepted for accommodation ;
3. By the intentional cancellation thereof by the holder ;
4. By any other act which will discharge a simple contract for the payment of money ;
5. When the principal debtor becomes the holder of the instrument at or after maturity in his own right.

139. A person secondarily liable on the instrument is discharged :

1. By any act which discharges the instrument ;
2. By the intentional cancellation of his signature by the holder ;
3. By the discharge of a prior party ;
4. By a valid tender of payment made by a prior party ;
5. By a release of the principal debtor, unless the holder's right of recourse against the party secondarily liable is expressly reserved ;
6. By any agreement binding upon the holder to extend the time of payment, or to postpone the holder's right to enforce the instrument, unless the right of recourse against such party is expressly reserved.

140. Where the instrument is paid by a party secondarily liable thereon, it is not discharged ; but the party so paying it is remitted to his former rights as regards all prior parties, and he may strike out his own and all subsequent indorsements, and again negotiate the instrument, except :

1. Where it is payable to the order of a third person, and has been paid by the drawer ; and
2. Where it was made or accepted for accommodation, and has been paid by the party accommodated.