

(B) A "SECURITY PROCEDURE" MAY REQUIRE THE USE OF ALGORITHMS OR OTHER CODES, IDENTIFYING WORDS OR NUMBERS, ENCRYPTION, CALLBACK PROCEDURES, OR SIMILAR SECURITY DEVICES.

(C) COMPARISON OF A SIGNATURE ON A PAYMENT ORDER OR COMMUNICATION WITH AN AUTHORIZED SPECIMEN SIGNATURE OF THE CUSTOMER IS NOT BY ITSELF A "SECURITY PROCEDURE".

4A-202.

(A) A PAYMENT ORDER RECEIVED BY THE RECEIVING BANK IS THE AUTHORIZED ORDER OF THE PERSON IDENTIFIED AS SENDER IF THAT PERSON AUTHORIZED THE ORDER OR IS OTHERWISE BOUND BY IT UNDER THE LAW OF AGENCY.

(B) (1) IF A BANK AND ITS CUSTOMER HAVE AGREED THAT THE AUTHENTICITY OF PAYMENT ORDERS ISSUED TO THE BANK IN THE NAME OF THE CUSTOMER AS SENDER WILL BE VERIFIED PURSUANT TO A SECURITY PROCEDURE, A PAYMENT ORDER RECEIVED BY THE RECEIVING BANK IS EFFECTIVE AS THE ORDER OF THE CUSTOMER, WHETHER OR NOT AUTHORIZED, IF:

(I) THE SECURITY PROCEDURE IS A COMMERCIALY REASONABLE METHOD OF PROVIDING SECURITY AGAINST UNAUTHORIZED PAYMENT ORDERS; AND

(II) THE BANK PROVES THAT IT ACCEPTED THE PAYMENT ORDER IN GOOD FAITH AND IN COMPLIANCE WITH THE SECURITY PROCEDURE AND ANY WRITTEN AGREEMENT OR INSTRUCTION OF THE CUSTOMER RESTRICTING ACCEPTANCE OF PAYMENT ORDERS ISSUED IN THE NAME OF THE CUSTOMER.

(2) THE BANK IS NOT REQUIRED TO FOLLOW AN INSTRUCTION THAT VIOLATES A WRITTEN AGREEMENT WITH THE CUSTOMER OR NOTICE OF WHICH IS NOT RECEIVED AT A TIME AND IN A MANNER AFFORDING THE BANK A REASONABLE OPPORTUNITY TO ACT ON IT BEFORE THE PAYMENT ORDER IS ACCEPTED.

(C) (1) COMMERCIAL REASONABLENESS OF A SECURITY PROCEDURE IS A QUESTION OF LAW TO BE DETERMINED BY CONSIDERING THE WISHES OF THE CUSTOMER EXPRESSED TO THE BANK, THE CIRCUMSTANCES OF THE CUSTOMER KNOWN TO THE BANK, INCLUDING THE SIZE, TYPE, AND FREQUENCY OF PAYMENT ORDERS NORMALLY ISSUED BY THE CUSTOMER TO THE BANK, ALTERNATIVE SECURITY PROCEDURES OFFERED TO THE CUSTOMER, AND SECURITY PROCEDURES IN GENERAL USE BY CUSTOMERS AND RECEIVING BANKS SIMILARLY SITUATED.

(2) A SECURITY PROCEDURE IS DEEMED TO BE COMMERCIALY REASONABLE IF: