

Chapter 27—Transfer

Both negotiable and nonnegotiable instruments can be transferred under the law of assignment, but only negotiable instruments allow a transferee to become a holder; only a holder can be a holder in due course, giving him rights which may be greater than those of the transferor.

B. Endorsements

--the method to be employed in subsequent negotiations (depends on whether the endorsement is blank or special)

--the kind of interest that is being transferred (depends on whether the endorsement is restrictive or nonrestrictive)

--the liability of the endorser (depends on whether the endorsement is qualified or unqualified)

Restrictive Endorsements

--endorsements for deposit or collection—in a bank account effectively limit future negotiation to the banking system (EFFECTIVE)

--endorsements in trust—the endorsee becomes the trustee while the beneficiary is the individual designated by the endorser to ultimately receive the funds (EFFECTIVE)

--endorsements with ineffective restrictions—such as conditional endorsements, require the happening or nonhappening of an event to effect the endorsee's rights (NOT EFFECTIVE)

Endorsements prohibiting further transfer such as “pay A only” is treated as an unrestricted endorsement (NOT EFFECTIVE)