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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO FIDUCIARIES -- TRUST

Introduced By: Senators Archambault, Lombardi, McCaffrey, Jabour, and Conley

Date Introduced: February 11, 2016

Referred To: Senate Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 18-4 of the General Laws entitled "Powers of Fiduciaries" is
2 hereby amended by adding thereto the following section:

3 **18-4-32. Trust advisors; Directed trusts --** (a) Where one or more persons or entities
4 are given authority by the terms of a governing instrument to direct, consent to or disapprove a
5 fiduciary's actual or proposed investment decisions, distribution decisions or other decisions, such
6 persons shall be considered to be advisors and fiduciaries when exercising such authority;
7 provided, however, that the governing instrument may provide that any such advisor (including a
8 protector) shall act in a non-fiduciary capacity.

9 (b) If a governing instrument provides that a fiduciary is to follow the direction of an
10 advisor, and the fiduciary acts in accordance with such a director, then except in cases of willful
11 misconduct on the part of the fiduciary so directed, the fiduciary shall not be liable for any loss
12 resulting directly or indirectly from any such act.

13 (c) If a governing instrument provides that a fiduciary is to make decisions with the
14 consent of an advisor, then except in cases of willful misconduct or gross negligence on the part
15 of the fiduciary, the fiduciary shall not be liable for any loss resulting directly or indirectly from
16 any act taken or omitted as a result of such advisor's failure to provide such consent after having
17 been requested to do so by the fiduciary.

18 (d) For purposes of this section, "investment decision" means with respect to any
19 investment, the retention, purchase, sale, exchange, tender or other transaction affecting the

1 ownership thereof or rights therein and with respect to non-publicly traded investments, the
2 valuation thereof, and an advisor with authority with respect to such decisions is an investment
3 advisor.

4 (e) Whenever a governing instrument provides that a fiduciary is to follow the direction
5 of an advisor with respect to investment decisions, distribution decisions or other decisions of the
6 fiduciary, then, except to the extent that the governing instrument provides otherwise, the
7 fiduciary shall have no duty to:

8 (1) Monitor the conduct of the advisor;

9 (2) Provide advice to the advisor or consult with the advisor; or

10 (3) Communicate with or warn or apprise any beneficiary or third party concerning
11 instances in which the fiduciary would or might have exercised the fiduciary's own discretion in a
12 manner different from the manner directed by the advisor.

13 (f) Absent clear and convincing evidence to the contrary, the actions of the fiduciary
14 pertaining to matters within the scope of the advisor's authority (such as confirming that the
15 advisor's directions have been carried out and recording and reporting actions taken at the
16 advisor's direction), shall be presumed to be administrative actions taken by the fiduciary solely
17 to allow the fiduciary to perform those duties assigned to the fiduciary under the governing
18 instrument and such administrative actions shall not be deemed to constitute an undertaking by
19 the fiduciary to monitor the advisor or otherwise participate in actions within the scope of the
20 advisor's authority.

21 (g) For purposes of this section, the term "advisor" shall include a "protector" who shall
22 have all the power and authority granted to the protector by the terms of the governing
23 instrument, which may include, but shall not be limited to:

24 (1) The power to remove and appoint trustees, advisors, trust committee members and
25 other protectors;

26 (2) The power to modify or amend the governing instrument to achieve favorable tax
27 status or to facilitate the efficient administration of the trust; and

28 (3) The power to modify, expand or restrict the terms of a power of appointment granted
29 to a beneficiary of governing instrument.

30 SECTION 2. This act shall take effect upon passage and shall apply to all trusts,
31 whenever executed.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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1 This act would permit the settlor of a trust to provide for a person other than the trustee to
2 direct actions of the trustee, and would clearly establish the legal responsibilities of trust advisors
3 and trust protectors.

4 This act would take effect upon passage and would apply to all trusts, whenever
5 executed.

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