

2014

2013-2014 Regular Sessions

I N S E N A T E

(PREFILED)

January 9, 2013

Introduced by Sen. BONACIC -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary

AN ACT to amend the estates, powers and trusts law, in relation to the role and duties of advisors in trust agreements

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. The estates, powers and trusts law is amended by adding a
2 new section 11-2.2-a to read as follows:

3 S 11-2.2-A ADVISORS

4 (A) ADVISORS.

5 (1) WHERE ONE OR MORE PERSONS ARE GIVEN AUTHORITY BY THE TERMS OF A
6 GOVERNING INSTRUMENT TO DIRECT, CONSENT TO OR DISAPPROVE A FIDUCIARY'S
7 ACTUAL OR PROPOSED INVESTMENT DECISIONS, DISTRIBUTION DECISIONS OR OTHER
8 DECISION OF THE FIDUCIARY, SUCH PERSONS SHALL BE CONSIDERED TO BE ADVI-
9 SORS AND FIDUCIARIES WHEN EXERCISING SUCH AUTHORITY UNLESS THE GOVERNING
10 INSTRUMENT OTHERWISE PROVIDES.

11 (2) IF A GOVERNING INSTRUMENT PROVIDES THAT A FIDUCIARY IS TO FOLLOW
12 THE DIRECTION OF AN ADVISOR, AND THE FIDUCIARY ACTS IN ACCORDANCE WITH
13 SUCH A DIRECTION, THEN EXCEPT IN CASES OF WILLFUL MISCONDUCT ON THE PART
14 OF THE FIDUCIARY SO DIRECTED, THE FIDUCIARY SHALL NOT BE LIABLE FOR ANY
15 LOSS RESULTING DIRECTLY OR INDIRECTLY FROM ANY SUCH ACT.

16 (3) IF A GOVERNING INSTRUMENT PROVIDES THAT A FIDUCIARY IS TO MAKE
17 DECISIONS WITH THE CONSENT OF AN ADVISOR, THEN EXCEPT IN CASES OF WILL-
18 FUL MISCONDUCT OR GROSS NEGLIGENCE ON THE PART OF THE FIDUCIARY, THE
19 FIDUCIARY SHALL NOT BE LIABLE FOR ANY LOSS RESULTING DIRECTLY OR INDI-
20 RECTLY FROM ANY ACT TAKEN OR OMITTED AS A RESULT OF SUCH ADVISOR'S FAIL-
21 URE TO PROVIDE SUCH CONSENT AFTER HAVING BEEN REQUESTED TO DO SO BY THE
22 FIDUCIARY.

23 (4) WHENEVER A GOVERNING INSTRUMENT PROVIDES THAT A FIDUCIARY IS TO
24 FOLLOW THE DIRECTION OF AN ADVISOR WITH RESPECT TO INVESTMENT DECISIONS,

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 DISTRIBUTION DECISIONS, OR OTHER DECISIONS OF THE FIDUCIARY, THEN,
2 EXCEPT TO THE EXTENT THAT THE GOVERNING INSTRUMENT PROVIDES OTHERWISE,
3 THE FIDUCIARY SHALL HAVE NO DUTY TO:

4 (A) MONITOR THE CONDUCT OF THE ADVISOR;

5 (B) PROVIDE ADVICE TO THE ADVISOR OR CONSULT WITH THE ADVISOR; OR

6 (C) COMMUNICATE WITH OR WARN OR APPRISE ANY BENEFICIARY OR THIRD PARTY
7 CONCERNING INSTANCES IN WHICH THE FIDUCIARY WOULD OR MIGHT HAVE EXER-
8 CISED THE FIDUCIARY'S OWN DISCRETION IN A MANNER DIFFERENT FROM THE
9 MANNER DIRECTED BY THE ADVISOR.

10 ABSENT CLEAR AND CONVINCING EVIDENCE TO THE CONTRARY, THE ACTIONS OF
11 THE FIDUCIARY PERTAINING TO MATTERS WITHIN THE SCOPE OF THE ADVISOR'S
12 AUTHORITY (SUCH AS CONFIRMING THAT THE ADVISOR'S DIRECTIONS HAVE BEEN
13 CARRIED OUT AND RECORDING AND REPORTING ACTIONS TAKEN AT THE ADVISOR'S
14 DIRECTION), SHALL BE PRESUMED TO BE ADMINISTRATIVE ACTIONS TAKEN BY THE
15 FIDUCIARY SOLELY TO ALLOW THE FIDUCIARY TO PERFORM THOSE DUTIES ASSIGNED
16 TO THE FIDUCIARY UNDER THE GOVERNING INSTRUMENT AND SUCH ADMINISTRATIVE
17 ACTIONS SHALL NOT BE DEEMED TO CONSTITUTE AN UNDERTAKING BY THE FIDUCI-
18 ARY TO MONITOR THE ADVISOR OR OTHERWISE PARTICIPATE IN ACTIONS WITHIN
19 THE SCOPE OF THE ADVISOR'S AUTHORITY.

20 (B) COURT JURISDICTION.

21 BY ACCEPTING APPOINTMENT TO SERVE AS ADVISOR, THE ADVISOR SUBMITS TO
22 THE JURISDICTION OF THE COURTS OF THIS STATE EVEN IF THE ADVISORY AGREE-
23 MENT OR OTHER RELATED AGREEMENTS PROVIDE OTHERWISE, AND THE ADVISOR MAY
24 BE MADE A PARTY TO ANY ACTION OR PROCEEDING RELATING TO DECISIONS,
25 ACTIONS OR INACTIONS OF THE ADVISOR.

26 (C) COMPENSATION.

27 (1) THE ADVISOR SHALL BE ENTITLED TO SUCH COMPENSATION AS MAY BE
28 REASONABLE, AND THE COURT, UPON APPLICATION OF A PERSON INTERESTED IN
29 THE TRUST, MAY REVIEW THE REASONABLENESS OF SUCH COMPENSATION.

30 (2) THE FIDUCIARY SHALL BE ENTITLED TO COMMISSIONS IN ACCORDANCE WITH
31 ARTICLE TWENTY-THREE OF THE SURROGATE'S COURT PROCEDURE ACT.

32 (D) DEFINITIONS. AS USED IN THIS SECTION:

33 (1) "ADVISOR" SHALL INCLUDE A "PROTECTOR" WHO SHALL HAVE ALL OF THE
34 POWER AND AUTHORITY GRANTED TO THE PROTECTOR BY THE TERMS OF THE GOVERN-
35 ING INSTRUMENT, WHICH MAY INCLUDE BUT SHALL NOT BE LIMITED TO:

36 (A) THE POWER TO REMOVE AND APPOINT TRUSTEES, ADVISORS, TRUST COMMIT-
37 TEE MEMBERS, AND OTHER PROTECTORS;

38 (B) THE POWER TO MODIFY OR AMEND THE GOVERNING INSTRUMENT TO ACHIEVE
39 FAVORABLE TAX STATUS OR TO FACILITATE THE EFFICIENT ADMINISTRATION OF
40 THE TRUST; AND

41 (C) THE POWER TO MODIFY, EXPAND, OR RESTRICT THE TERMS OF A POWER OF
42 APPOINTMENT GRANTED TO A BENEFICIARY BY THE GOVERNING INSTRUMENT.

43 (2) "INVESTMENT DECISION" MEANS, WITH RESPECT TO ANY INVESTMENT, THE
44 RETENTION, PURCHASE, SALE, EXCHANGE, TENDER OR OTHER TRANSACTION AFFECT-
45 ING THE OWNERSHIP THEREOF OR RIGHTS THEREIN, AND AN ADVISOR WITH AUTHOR-
46 ITY WITH RESPECT TO SUCH DECISIONS IS AN INVESTMENT ADVISOR.

47 S 2. This act shall take effect immediately and shall apply to all
48 trusts which come into existence after this act shall have become a law,
49 provided, however, those trusts incorporate this section by reference
50 within the trust agreement.