

**286.3-277 Standards for bank or trust company acting as fiduciary.**

- (1) Notwithstanding the provisions of any other law, a bank empowered to act as a fiduciary or trust company, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing property held in a fiduciary capacity, shall act as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the fiduciary account.
- (2) The standard described in subsection (1) of this section requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the account portfolio and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the account.
- (3) In making and implementing investment decisions, the bank or trust company has a duty to diversify the investments of the account unless, under the circumstances, it is prudent not to do so.
- (4) In addition, the bank or trust company shall:
  - (a) Conform to fundamental fiduciary duties of loyalty and impartiality;
  - (b) Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and
  - (c) Incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the account.
- (5) The duties of the bank or trust company under this section are subject to the rule that in investing the funds of the account, the bank or trust company:
  - (a) Has a duty to the beneficiaries of the account to conform to any applicable statutory provisions governing investment by fiduciaries; and
  - (b) Has the power expressly or impliedly granted by the terms of the account or applicable instrument and has a duty to the beneficiaries of the account to conform to the terms of the account directing or restricting investments by the bank or trust company.

**Effective:** July 15, 1996

**History:** Created 1996 Ky. Acts ch. 338, sec. 6, effective July 15, 1996.

**Formerly codified as** KRS 287.277.

**Legislative Research Commission Note (7/12/2006).** In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the Kentucky Financial Services Code, KRS Chapter 286.