

UNIFORM FIDUCIARIES ACT

Act of May. 31, 1923, P.L. 468, No. 256

Cl. 07

AN ACT

Concerning liability for participation in breaches of fiduciary obligations, and to make uniform the law with reference thereto.

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Section 1. Be it enacted, &c., That--Definition of Terms--(1) in this act, unless the context or subject matter otherwise requires,

"Bank" includes any person or association of persons, whether incorporated or not, carrying on the business of banking.

"Fiduciary" includes a trustee, under any trust expressed, implied, resulting, or constructive, executor, administrator, guardian, conservator, curator, receiver, trustee in bankruptcy, assignee for the benefit of creditors, partner, agent, officer of a corporation, public or private, public officer, or any other person acting in a fiduciary capacity for any person, trust, or estate.

"Person" includes a corporation, partnership, or other association or two or more persons having a joint or common interest.

"Principal" includes any person to whom a fiduciary, as such, owes an obligation.

(a) A thing is done "in good faith," within the meaning of this act, when it is in fact done honestly, whether it be done negligently or not.

Section 2. Application of Payments Made to Fiduciaries.--A person who, in good faith, pays or transfers to a fiduciary any money or other property, which the fiduciary as such is authorized to receive, is not responsible for the proper application thereof by the fiduciary, and any right or title acquired from the fiduciary in consideration of such payment or transfer is not invalid in consequence of a misapplication by the fiduciary.

Section 3. Registration or Transfer of Securities to or by Fiduciaries or Their Nominees.--(3 repealed May 22, 1996, P.L.248, No.44)

Section 4. Transfer of Negotiable Instrument by Fiduciary.--If any negotiable instrument, payable or indorsed to a fiduciary as such, is indorsed by the fiduciary, or if any negotiable instrument, payable or indorsed to his principal, is indorsed by a fiduciary empowered to indorse such instrument on behalf of his principal, the indorsee is not bound to inquire

whether the fiduciary is committing a breach of his obligation as fiduciary in indorsing or delivering the instrument, and is not chargeable with notice that the fiduciary is committing a breach of his obligation as fiduciary unless he takes the instrument with actual knowledge of such breach or with knowledge of such facts that his action in taking the instrument amounts to bad faith. If, however, such instrument is transferred by the fiduciary in payment of, or as security for, a personal debt of the fiduciary to the actual knowledge of the creditor, or is transferred in any transaction known by the transferee to be for the personal benefit of the fiduciary, the creditor or other transferee is liable to the principal if the fiduciary in fact commits a breach of his obligation as fiduciary in transferring the instrument.

Section 5. Check Drawn by Fiduciary Payable to Third Person.--If a check or other bill of exchange is drawn by a fiduciary as such, or in the name of his principal by a fiduciary empowered to draw such instrument in the name of his principal, the payee is not bound to inquire whether the fiduciary is committing a breach of his obligation as fiduciary in drawing or delivering the instrument, and is not chargeable with notice that the fiduciary is committing a breach of his obligation as fiduciary unless he takes the instrument with actual knowledge of such breach or with knowledge of such facts that his action in taking the instrument amounts to bad faith. If, however, such instrument is payable to a personal creditor of the fiduciary and delivered to the creditor in payment of, or as security for, a personal debt of the fiduciary to the actual knowledge of the creditor, or is drawn and delivered in any transaction known by the payee to be for the personal benefit of the fiduciary, the creditor or other payee is liable to the principal if the fiduciary in fact commits a breach of his obligation as fiduciary in drawing or delivering the instrument.

Section 6. Check Drawn by and Payable to Fiduciary.--If a check or other bill of exchange is drawn by a fiduciary as such, or in the name of his principal by a fiduciary empowered to draw such instrument in the name of his principal, payable to the fiduciary personally or payable to a third person and by him transferred to the fiduciary, and is thereafter transferred by the fiduciary whether in payment of a personal debt of the fiduciary, or otherwise, the transferee is not bound to inquire whether the fiduciary is committing a breach of his obligation as fiduciary in transferring the instrument, and is not chargeable with notice that the fiduciary is committing a breach of his obligation as fiduciary unless he takes the instrument with actual knowledge of such breach or with knowledge of such facts that his action in taking the instrument amounts to bad faith.

Section 7. Deposit in Name of Fiduciary as Such.--If a deposit is made in a bank to the credit of a fiduciary as such, the bank is authorized to pay the amount of the deposit, or any part thereof, upon the check of the fiduciary signed with the name in which such deposit is entered, without being liable to the principal, unless the bank pays the check with actual knowledge that the fiduciary is committing a breach of his obligation as fiduciary in drawing the check or with knowledge of such facts that its action in paying the check amounts to bad faith. If, however, such a check is payable to the drawee bank and is delivered to it in payment of, or as security for, a personal debt of the fiduciary to it, the bank is liable to

the principal if the fiduciary in fact commits a breach of his obligation as fiduciary in drawing or delivering the check.

Section 8. Deposit in Name of Principal.--If a check is drawn upon the account of his principal, in a bank, by a fiduciary who is empowered to draw checks upon his principal's account, the bank is authorized to pay such check, without being liable to the principal, unless the bank pays the check with actual knowledge that the fiduciary is committing a breach of his obligation as fiduciary in drawing such check or with knowledge of such facts that its action in paying the check amounts to bad faith. If, however, such a check is payable to the drawee bank and is delivered to it in payment of, or as security for, a personal debt of the fiduciary to it, the bank is liable to the principal if the fiduciary in fact commits a breach of his obligation as fiduciary in drawing or delivering the check.

Section 9. Deposit in Fiduciary's Personal Account.--If a fiduciary makes a deposit in a bank to his personal credit of checks drawn by him upon an account in his own name as fiduciary; or of checks payable to him as fiduciary; or of checks drawn by him upon an account in the name of his principal, if he is empowered to draw checks thereon; or of checks payable to his principal and indorsed by him, if he is empowered to indorse such checks; or if he otherwise makes a deposit of funds held by him as fiduciary,--the bank receiving such deposit is not bound to inquire whether the fiduciary is committing thereby a breach of his obligation as fiduciary, and the bank is authorized to pay the amount of the deposit, or any part thereof, upon the personal check of the fiduciary, without being liable to the principal, unless the bank receives the deposit or pays the check with actual knowledge that the fiduciary is committing a breach of his obligation as fiduciary in making such deposit or in drawing such check or with knowledge of such facts that its action in receiving the deposit or paying the check amounts to bad faith.

Section 10. Deposit in Names of Two or More Trustees.--When a deposit is made in a bank in the name of two or more persons as trustees, and a check is drawn upon the trust account by any trustee or trustees authorized by the other trustee or trustees to draw checks upon the trust account, neither the payee nor other holder nor the bank is bound to inquire whether it is a breach of trust to authorize such trustee or trustees to draw checks upon the trust account, and is not liable unless the circumstances be such that the action of the payee or other holder or the bank amounts to bad faith.

Section 11. Act not Retroactive.--The provisions of this act shall not apply to transactions taking place prior to the time when it takes effect.

Section 12. Cases not Provided for in Act.--In any case not provided for in this act the rules of law and equity, including the law merchant, and those rules of law and equity relating to trusts, agency, negotiable instruments, and banking shall continue to apply.

Section 13. Uniformity of Interpretation.--This act shall be so interpreted and construed as to effectuate its general purpose to make uniform the law of those States which enact it.

Section 14. Short Title.--This act may be cited as the "Uniform Fiduciaries Act."