



Law Society of Alberta  
**Trust Safety:  
Self-Report Guideline**

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## 1. Background

Rule 119.30(3) requires law firms to provide a completed Law Firm Self-Report to the Law Society of Alberta on an annual basis. The report is a confirmation of compliance with Part 5 of the Rules. Law firms provide details regarding their practice, trust accounting and other related activities during the preceding year in this report. Usually, one Self-Report will be completed for the practice and this will satisfy the filing requirements of all the lawyers (associates and partners) of the practice. The Responsible Lawyer is accountable for all law firm filing requirements, as per Rule 119.3(1).

The Law Firm Self-Report provides an opportunity to ask meaningful questions to the law firm about their practice as well as their practices for bookkeeping (general and trust accounts) to assess the safety and security of trust funds. Questions asked on the Self-Report are also useful to other arms of the Law Society for regulatory purposes.

This guideline is designed to assist in the completion the Self-Report. For instructions on how to navigate and e-file a Self-Report online via the Lawyer portal please refer to the [Trust Safety Self-Report User Guide](#).

## 2. Filing Deadline

Rule 119.30(3). A law firm shall annually, by the due date, provide to the Executive Director a completed Law Firm Self-Report; using the prescribed filing method.

The mandatory designated filing date (year-end) for all law firms is December 31 and is due three months after the designated filing date. The completed report must be submitted by March 31 (due date). If a lawyer is uncertain as to whether all lawyers will be covered with one filing, contact the Law Society's Trust Safety Department for clarification.

### A. Late Filings

Law firms that do not comply and file by the due date (March 31) will be subject to the following late fees and administrative suspension.

Month	Date	Late Fee <sup>(1)</sup>	Cumulative Fee
Due Date	31-Mar	\$0	\$0
1	1-Apr	\$250	\$250
2	1-May	\$500	\$750
3	1-Jun	\$750	\$1,500
4	1-Jul	Administrative Suspension of the Responsible Lawyer	
Reinstatement suspension transaction fee		\$225	\$1,725

<b>Total Penalty - \$250 (Minimum) - \$1,725 (Maximum)</b>
<b>Note:</b>
The late fee will be in addition to a reinstatement suspension transaction fee of \$225 required when the lawyer returns from suspension. If the Responsible Lawyer is suspended, the suspension will remain in place until the Self-Report and Trust Accounting Upload or Accountant's Report are filed and all related fees (late fee and reinstatement fee) are paid or other arrangements have been approved.

### 3. Reporting Requirements

The online Law Firm Self-Report is comprehensive and divided into four sections, outlined below. The sections that need to be completed will depend on whether the law firm operates a trust bank account.

- A. Firm Practice Profile
- B. Bank Account Information
- C. Trust Bank Account Reporting
- D. Law Firm Self-Report:
  - Section A General Information
  - Section B General Bank Account
  - Section C Trust Bank Account

Law firm Situation	Firm Practice	Bank Account	Trust Bank Account	Law Firm Self-Report		
	Profile	Information	Reporting	Section A	Section B	Section C
Law firm operates only a general bank account (does not receive, disburse or handle trust money)	✓	✓	N/A	✓	✓	N/A
Law firm operates a trust bank account	✓	✓	✓	✓	✓	✓
✓ Indicates section of the Law Firm Self-Report that must be completed						

### A. Firm Practice Profile

Please indicate your firm's area(s) of practice with percentages based on the approximate amount of time spent working in each area. Please ensure the sum is equal to 100 per cent.

### B. Bank Accounts

**All Law firms** are required to provide their Trust and General bank account(s) information when submitting their Self-Report. Once this information is entered into the system, you will be responsible for ensuring the bank account(s) information for your firm is updated regularly. You also have the option to edit previously entered incorrect trust bank information.

- List all general bank accounts in Alberta that were used by the law firm during the reporting period, including details such as financial institution, account number, transit number, name on account and date account was opened. This would also include any separate payroll, GST or other accounts that may not be specifically in the name of the law firm. For example, a law firm may establish a management company that holds the lease and pays staffing costs. Please list these as this account and the related expenses pertain to the law firm.
- List all pooled trust bank accounts in Alberta that were used by the law firm during the reporting period, including details such as financial institution, account number, transit number, name on account and date account was opened. Pooled trust accounts are those which co-mingle client funds and are also been referred to as "mixed" or "operating" trust accounts.
- List all Separate Interest-Bearing Trust Accounts (SIBA) in Alberta that were used by the law firm during the reporting period, including details such as financial institution, account number, transit number, name on account and date account was opened. This type of trust account holds trust funds for only one client. Typical SIBA accounts are low risk investments vehicles such as GICs and Term Deposits. For the purposes of reporting to the Law Society, the SIBA account can be set up as an individual SIBA account or as a Pooled SIBA account by financial institution to record all the individual investment accounts that may have been set up (and closed) for clients within your legal accounting system in the reporting period.

#### **Please note:**

- The Trust and General bank account(s) reported in your Self-Report should be the same accounts listed in your legal accounting system.

### C. Trust Bank Account Report

The Trust Bank Account Report is where you will provide further details on your firm's Trust bank accounts.

Please complete a Bank Account Report for your Trust Account Only. **You do not need to complete a Bank Account Report for your General Account.**

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You must fill in the data from the last month of the designated filing date for all trust bank accounts of the law firm. As the designated filing date is December 31, you must use the data from the December 31 trust reconciliations. The data that is required for each trust bank account is:

- Total bank deposits for the year.
- Total bank withdrawals for the year.
- December 31 bank statement balance.
- Total of the outstanding (uncashed) trust cheques as at December 31.
- Total of the outstanding deposits as at December 31.
- Net other adjustments such as bank errors, posting errors, etc. as at December 31.
- Reconciled bank balance as at December 31 (this should also be the sum of the bank balance, less uncashed trust cheques, plus outstanding deposits, plus or minus net other adjustments).
- Total of the client trust listing as at December 31 for each specific trust bank account.

Please note:

1. The total of the last two rows for each trust bank account should agree.
2. The accountant retained for completing the Accountant's Report will be verifying the accuracy of this data.

#### D. Law Firm Self Report

##### I. Period Start and Period End

The reporting period for all annual filings will be January 1 to December 31. For other types of reports the reporting period may change based on the reason for self-report (i.e. closing a law firm). Only annual filings are created in the content management system (CMS) automatically. Please contact Trust Safety for all other reasons.

##### II. Due Date

The due date to submit a Self-Report is March 31<sup>s</sup> annually.

##### III. Reporting Reason

The reasons required to submit a Self-Report include the following:

- Annual Filing (standard).
- No longer operating any trust accounts.
- Closing the law firm.
- Change of Responsible Lawyer.

Only annual filings are created in the content management system (CMS) automatically. Please contact Trust Safety for all other reasons.

## **IV. Section A – General Information**

### **1. Accounting software**

If your law firm uses accounting software for recording trust and general transactions identify the software and related version. The version can be determined from the drop down “Help” menu under “About”.

### **2. Back up of accounting records**

If you maintain manual accounting records it is unlikely that you will have a back-up of the books and records. For computerized records, there is a requirement under Rule 119.36(5) to print the trust and general records monthly, as well as maintaining an electronic back up of those records. This back up should be stored offsite.

### **3. Government remittances and payroll**

Government remittances for GST and payroll source deductions are required to be paid when due. It is recommended that your firm establish a system to ensure that these requirements are met. As you receive these funds in a fiduciary role, the Law Society wants to ensure compliance with the conditions under which these funds were received.

### **4. Personal representatives**

Rule 119.26(1) defines the situations where a lawyer is acting in a representative capacity. This also includes family trusts where the funds are held outside of the law firm trust bank accounts. There is a de minimis rule in those situations where the total amount received and disbursed in one year or the total trust amount does not exceed \$20,000 that means there is no need to report to the Law Society.

### **5. Loans from clients**

The Code of Professional Conduct permits lawyers to enter into business transactions with clients, which includes lending or borrowing money. This includes loans made to companies controlled by lawyers in the firm. Control can be defined as voting control or de facto control over the decisions made by the company

### **6. Loans to clients**

The Code of Professional Conduct permits lawyers to enter into business transactions with clients, which includes lending or borrowing money. This includes loans made by companies controlled by lawyers in the firm. Control can be defined as voting control or de facto control over the decisions made by the company



## 7. Mortgage or investment collections

Please answer “yes” if the law firm collects recurring or regular amounts on behalf of a client, such as monthly rental, interest or mortgage receipts. Do not include collections on mortgage arrears as they are not typically recurring collections over an extended period.

## 8. Client ID

Law Society Rules 118.1 to 118.10 cover the Client Identification and Verification Rules. It is required that a system be implemented, and the relevant information be kept in the client file itself. If you are unsure of the rule requirements or of the adequacy of your collection/verification system, please contact a Law Society Practice Advisor

## V. Section B – General Bank Account

### 1. Receive trust money in general

Please answer “yes” if the law firm general bank account received and disbursed any trust money during the reporting period. Examples are if the law firm had not yet established a trust bank account and the first few trust transactions of the law firm were processed through the general bank account or if trust funds received via credit/debit card are firstly deposited into the general account. This is not permitted under the Rules so please identify if this occurred. Please include any bank errors even where the trust funds were immediately returned to the trust bank account.

### 2. Use another law firm’s trust bank account

In some situations, a law firm practicing without a trust bank account may receive trust funds. These funds must only be deposited into a trust bank account. It is acceptable to use the trust bank account of another law firm provided the transactions are fully recorded by the law firm that is handling the trust money and the client is aware of the arrangement. If you want to use another law firm’s trust account, you must first enter into an arrangement with the Responsible Lawyer of the law firm whose trust account you want to use. Such arrangements must be approved by the Law Society.

### 3. General accounting records

This question is comprised of four subsections and refers to the specific requirements within the Part 5 Rules. Some of the more detailed requirements include:

- General Journal Rule 119.36(4)(e)

This journal requires the recording of every transaction that is processed through the general bank account(s) except for bank clearing errors that are corrected by the bank. As part of the recording process you need to identify the source of the funds and the form the money was received - such as cash, cheque, direct deposit, etc. When recording the payee, you need to record the full and proper name. On receipts and withdrawals relating

to client files, the client and/or file number must be recorded. If funds are received (such as for cash), please record that receipt number or if received by electronic transfer, bank confirmation number, which is usually 14 to 18 digits. Lastly, a continual running balance must be maintained, not just at month end.

- **Billing Journal Rule 119.36(4)(f)**

The objective of this journal is to record, in chronological order, all the fees and charges made to the clients and must include the client name, date of the statement of account and the amount billed.

- **Fees and Disbursements Receivable Ledger Rule 119.36(4)(g)**

Commonly called accounts receivable ledgers. This ledger is required to record the billings rendered to the client, the payments on those billings and the balance owing to the law firm. There should never be instances where the law firm owes money to the client on these ledgers. If money is owed, the funds should be immediately repaid to the client and/or transferred to the law firm trust bank account.

- **Currently Maintained**

The general journal, billing journal and receivables ledgers must be posted as the transactions occur as opposed to only at the end of the month.

#### **4. Maintain source documents**

In addition to recording the general transactions in the required journals and ledgers, the law firm must retain the source documents that support the transactions. Examples include bank statements, deposit books and/or slips and negotiated cheques. Typically, the negotiated cheques are in the form of cheque images – both front and back of the cheque images must be printed and maintained.

#### **5. Endorsing general cheques**

It is not permissible to “sign over” to a third party a cheque that the law firm receives that should have been deposited into the law firm general bank account. If a mistake is made regarding the payee name, either return the cheque or deposit the cheque into the general bank account and then issue a general cheque to the proper payee.

#### **6. Reconcile general monthly**

It is a requirement Under Rule 119.40, that all general bank accounts of the law firm be reconciled each and every month by the following month-end. This entails reconciling the bank balance of the general account(s) to the running balance at month-end of the general journal.

#### **7. General cheques not honoured**

Please answer “yes” to any instances in the reporting period where the law firm issued a general cheque or other type of payment that could not be negotiated by the recipient due to

insufficient funds in the general bank account. Also, include details on how the issue was resolved, such as a deposit made using a personal loan/contribution, etc.

#### **8. Receive cash (trust or general)**

It is permissible for law firms to receive cash for deposit into the general or trust accounts. However, if the cumulative amount of cash received is \$7,500 or more for any matter or transaction, the cash can only be accepted by the law firm if it relates to one of the “exempted” purposes.

The exempted purposes are listed under Rule 119.38(5)(a) to (d) and receiving cash for fees and disbursement is one of the permitted “exceptions.” Please identify, if any, the number of instances where cash of \$7,500 or more in aggregate was received for any file or matter. Additionally, provide full details on all instances where cash of \$7,500 or more in aggregate was received for any file or matter which did not meet one of the exemption categories. If in doubt about receiving cash that is \$7,500 or more, please contact a Practice Advisor.

#### **9. Separate receipt book for cash**

As per Rule 119.39(1), a separate duplicate receipt book is required for recording all cash transactions received. This receipt book must not contain any non-cash receipts and separate receipt books for trust and general cash receipts are not needed. However, if trust and general cash receipts are combined, then you must ensure that there is a clear distinction as to which account the cash receipt was deposited into. The receipt book can be computer generated provided the receipts are signed by the appropriate parties, a copy is given to the party bringing the cash and all receipts are filed together.

#### **10. Any cash refunds to clients**

If a law firm receives a trust or general cash receipt that is \$7500 or more for fees and disbursements and subsequently refunds all or part of it, any refund of \$1,000 or more must be in the form of cash. Please refer to Rule 119.38(5)(d).

#### **11. Bill rendered for work performed**

Funds received from a client of the law firm cannot be deposited into the general bank account unless a statement of account has been rendered. This applies equally to funds received directly from the client for the payment of an account or a transfer/payment from the law firm trust bank account. Additionally, the legal services on the statement of account had to have been performed. It is not acceptable to bill for future services. There might be instances of where client funds received do not pertain to legal services and do not require a statement of account (e.g. a loan from a client). Please contact the Trust Safety department if you are in doubt about a transaction.

**12. Monthly review of Accounts Receivable**

To prevent situations where statements of accounts were not generated and/or client funds deposited into the general account in error, it is highly recommended that the accounts receivable listing be reviewed monthly. If there are “negative” accounts receivable balances, these must be investigated and corrected immediately. To ensure appropriate action is taken, a hard copy should be printed and retained.

**13. Fees earned deposited into the general bank account**

All fees earned by a law firm must be deposited into the law firm general bank account. It is not permissible to deposit the funds into a personal or other bank account of the lawyer even though the funds may eventually be paid into those accounts.

**14. Reliance on one client**

Some law firms may have a significant portion of their law practice dedicated to one client or one client group. Please indicate if one client/client group generates 20 per cent or more of your annual law firm billings.

## VI. Section C – Trust Bank Account

To be completed by all law firms that operate a trust account.

### 1. CDIC compliance

Please refer to Rule 119.32. For law firm pooled trust accounts, this coverage extends to each client of the law firm provided the law firm remits annually to its financial institution proof that they are acting as a trustee. Proof consists of submitting a list of monies held per client (identified by number not name or per file) as of April 30 by May 31 to each financial institution where they operate a trust bank account. It does not matter if your trust bank balance does not exceed \$100,000 as at April 30, the objective is to prove that the law firm trust account is comprised of multiple clients. Alberta Credit Unions and the Alberta Treasury Branches are not eligible for CDIC coverage, but instead are guaranteed by the Province of Alberta.

### 2. Interest earned to Alberta Law Foundation

When a lawyer or law firm opens a pooled trust account at an approved depository and designating it in the name of the law firm, the Legal Profession Act Section 126(1) and the Law Society of Alberta Rule 119.16(3) require that the lawyer provide a direction to the financial institution instructing it to pay the interest on the account to the Alberta Law Foundation. As part of the Law Society's trust compliance audit, it reviews whether the lawyer or law firm has provided this direction to the financial institution. By providing the appropriate direction to your financial institution, you can ensure compliance with the Act and Rules, and also support the Alberta Law Foundation in its efforts to increase access to justice in Alberta.

### 3. Retention of books and records

Rule 119.37(1) requires a law firm to maintain the most recent two years of financial records at its principal place of practice in Alberta. For example, a law firm with a December 31, 2012 year-end would maintain its 2011 and 2012 records on-site.

### 4. Trust accounting records

This question is comprised of four subsections and refers to the specific requirements within the Part 5 Rules. Some of the more detailed requirements include:

- Trust Journal Rule 119.36(4)(a)

This journal requires the recording of every transaction that is processed through the trust bank account except for bank clearing errors that are corrected by the bank. As part of the recording process you need to identify the source of the funds and the form the money was received in such as cash, cheque, direct deposit, etc. When recording the payee, you need to record the full and proper name. The client name and/or file number must be recorded for all transactions. If funds are receipted, such as for cash, please record that receipt number. If received electronically, then record the bank confirmation number.

For transfers of funds between client files (or different client matters) you need to record both the file name and file number for both the source and destination of the funds. Lastly, a continual running balance must be maintained, not just at month-end.

- Trust Ledger Rule 119.36(4)(b)

The objective of this ledger is to record all transactions made for each client matter. You cannot combine multiple client matters onto one trust ledger card. To ensure that each client matter is separately recorded, the trust ledger must show the client name, matter description and file number. Additionally, for each withdrawal and receipt you must include a brief description of the transaction. It is not sufficient to state “paid as per client direction”, as withdrawals and receipts must relate to the legal matter the firm is acting upon.

- Trust transfer journal Rule 119.36(4)(c)

This journal records the transfers between client trust ledgers. In a manual system, it is acceptable to keep copies of the transfer authorization documents as your journal provided they are all maintained together, in date order and represent a complete file of all transfers. This journal does not apply to transfers between trust bank accounts on the same file nor from the pooled trust accounts to the general account for fees and disbursements.

- Currently maintained

The trust journal, trust ledgers and trust transfer journal must be posted as each transaction occurs.

## **5. Pooled trust bank accounts**

Please check off all queries that apply to your circumstances. Typically, the negotiated cheques are in the form of cheque images – both front and back of the cheque images must be printed.

## **6. Separate interest-bearing trust bank accounts**

Please check off all that apply to your circumstances. Please note that stocks, bonds, and/or mutual funds are NOT acceptable forms of investment for client trust funds held in the name of the law firm for the client.

## **7. Interest on separate interest-bearing accounts**

Interest earned on the client separate interest-bearing accounts must be recorded in the month that the law firm was advised of the amount earned. It is not necessary to calculate an accrued interest amount such as posting interest each month on a one-year interest bearing investment if the interest is only paid upon maturity.

## **8. Payments made from separate interest-bearing accounts**

Withdrawals from a separate interest-bearing trust account must first be transferred to a pooled trust account and then it can be disbursed to the appropriate party. Please disclose

any instances where payments were made directly to third parties and/or clients from the separate interest-bearing accounts.

### **9. Source documents**

Please check off all queries that apply to your circumstances. Typically, the negotiated cheques are in the form of cheque images – both front and back of the cheque images must be maintained.

### **10. Law firm money in trust**

It is permissible for law firms to maintain up to \$500 of law firm money in each trust bank account as per Rule 119.19(4)(d). These funds can be used to offset trust shortages, bank service charges, etc. These law firm trust funds would be in addition to any legal transactions that lawyers within a law firm would use the trust account for. For the latter transactions, the funds must be paid out when the transaction has been completed and cannot remain in the trust bank account and used as the lawyer sees fit.

### **11. Depositing of trust funds**

As per Rule 119.19(1), trust funds are to be deposited on or before the next banking to a pooled trust account. This means that trust funds received on a Monday must be deposited no later than the end of Tuesday (providing there is no banking holiday). However, depositing trust funds the same day as they are received is strongly recommended and, in any event, trust withdrawals relating to those trust funds cannot be made until the funds have been deposited. If your bank is open on Saturdays and Sundays, there is no expectation that the funds be deposited on those days to comply with the 2 banking days rule.

As per Rule 119.44(1)(a), trust funds are to be deposited within 2 banking days to a pooled trust account for credit and debit card transactions.

### **12. Prohibition of Use of Trust Account**

It is not permissible to receive and disburse funds on behalf of clients if those transactions do not relate to the legal services the law firm was retained to perform. It is not acceptable to act as a conduit for banking services for your client. Please refer to Rule 119.17 or contact a Practice Advisor if in doubt.

### **13. Endorsement of trust cheques received**

Section 14(3) of the Condominium Property Act requires a developer or prescribed “trustee” to hold in trust all money, other than rents or security deposits, paid by the purchaser of a unit up to the time that the certificate of title to the unit is issued in the name of the purchaser in accordance with the purchase agreement. Par1.2 of the Condominium Property Regulations defines “trustee” as a lawyer who is an active member of the Law Society of Alberta, or a law firm whose partners are active members. These lawyers must also be approved to operate a trust account under the Legal Profession Act.

#### **14. Condominium Deposits**

Section 14(3) of the Condominium Property Act requires a developer or prescribed “trustee” to hold in trust all money, other than rents or security deposits, paid by the purchaser of a unit up to the time that the certificate of title to the unit is issued in the name of the purchaser in accordance with the purchase agreement. Par1.2 of the Condominium Property Regulations defines “trustee” as a lawyer who is an active member of the Law Society of Alberta, or a law firm whose partners are active members. These lawyers must also be approved to operate a trust account under the Legal Profession Act.

#### **15. Insolvent Lawyer approving trust payments**

Rule 119.34(1) identifies various situations where a lawyer is required to notify the Law Society of their financial situation. If any of the lawyers within the law firm fall into one of the categories, please list the lawyers involved when they have signing authority on a trust account.

#### **16. Sole signing authority**

Only lawyers of the law firm may approve trust withdrawals and transfers as per Rule 119.21(1). If the law firm has granted sole signing authority to any individual within the law firm who is not an active practising lawyer in Alberta, please list those individuals and related position within the law firm.

#### **17. Handling trust funds for another law firm**

In some situations, law firms who do not operate a trust bank account may come into possession of trust funds. It is permissible for another law firm to process those transactions provided the law firm records all receipts and withdrawals on their books and records. Please list the law firm involved and if any of the lawyers at that firm have signing authority on your law firm trust account.

#### **18. Approval of trust payments**

As per Rule 119.21(1), all payments from the law firm trust bank account must be approved by a lawyer of the law firm and more specifically a lawyer of the firm who is an active lawyer in Alberta. If another lawyer in Alberta approved payments, please provide details such as the name of the lawyer, period covered, etc. You must have prior approval from the Law Society to allow a lawyer who is not part of the law firm to approve trust payments.

#### **19. Electronic withdrawals**

Rules 119.23 and 119.42 permit payments from trust account(s) to be made electronically provided certain conditions are followed. [The Electronic Banking Withdrawal Form](#) on the Law Society website guides these electronic payments. Please list any payments made by the law firm which were not in accordance with the rules and forms.



**20. Uncashed Trust Cheques**

Uncashed trust cheques may indicate that the payee did not receive the cheque or has not negotiated the cheque. If these cheques are still uncashed after one year, they must be followed up on. After some effort by the law firm, if the client cannot be located the law firm should remit the funds to the Law Society as undisbursable trust funds. Please refer to Rule 119.27 and be advised that the Law Society cannot accept the funds unless they have been held for at least two years by the law firm.

**21. Trust Cheques Payable to Cash or Bearer**

It is not permissible to issue a trust cheque payable to “cash” or “bearer” unless the cheque pertains to returning cash to a client under Rule 119.38(5)(d). Please list all trust cheques made payable to cash or bearer, including those permitted under 119.38(5)(d).

**22. No overdrawn client accounts**

Trust payments made on behalf of a client can only be made if there are sufficient funds to the credit of the client in the trust bank account. This restriction applies to the client funds in each trust bank account. For example, a law firm cannot issue a trust cheque for a client on a law firm Royal Bank trust account if the funds reside in a law firm CIBC trust bank account. Please refer to Rules 119.21(2)(e) and 119.24(1).

**23. Trust shortages that were uncorrected for more than seven days**

This reinforces the situation where shortages are to be reported to the Law Society under Rule 119.24(3). If the law firm fails to report any shortages that were not corrected for more than seven days please provide details in the space provided.

**24. Trust shortages that exceed \$2,500**

This reinforces the situation where shortages are to be reported to the Law Society under Rule 119.24(3). If the law firm fails to report any shortages that exceeded \$2,500 please provide details in the space provided.

**25. Trust cheques not honoured**

A trust withdrawal can only be made if there are sufficient funds on the client’s ledger and sufficient funds in the trust bank account. Refer to Rule 119.21(2)(e) and (f).

**26. Preparation of monthly trust reconciliations**

The monthly trust reconciliation is a key control within a law firm that ensure client trust funds are properly recorded and maintained. Please list all staff members who are responsible for the preparation of these reconciliations. This is separate and distinct from who is responsible for reviewing the accuracy of the reconciliations.

**27. Retention of monthly trust reconciliations**

You must keep the most recent two years of trust reconciliations (and other books and records) on site at the firm's principal place of practice as per Rule 119.37(1)(b). In addition, you must maintain your books and records for the current year and the preceding 10-year period as per Rule 119.37(1)(e).

**28. Monthly trust reconciliation comparison**

As stated above, the trust reconciliation is a key control and it is imperative that the reconciliation be reviewed for accuracy on a monthly basis. The objective of the reconciliation is to compare trust assets (as represented by the amounts in the pooled and separate interest-bearing trust bank accounts) to the trust liabilities (represented by the sum of the individual client trust ledgers) prepared separately for each bank account. Although not required within the Rules, a good control feature is for the lawyer who reviews the reconciliation to sign and date the reconciliation as evidence that the review has occurred.

**29. Components of monthly trust reconciliations**

Please refer to Rule 119.36(4)(d) for the specific components of the reconciliation. In summary, a typical reconciliation is comprised of:

- Bank statement balance.
- Add outstanding receipts (not yet deposited).
- Deduct outstanding cheques (not yet cashed) noting cheque date, cheque number, payee and amount.
- Other adjustments – which are fully itemized and explained in detail.
- Detailed client trust listing.

Comparison of the ending reconciled bank balance to total of the client trust listing.

**30. Trust bank statement review**

Although not a specific requirement under the Part 5 Rules, it is good practice to review the trust bank statements every month as part of the review of the trust reconciliations. This would help to identify unusual or unapproved transactions.

**31. Review of client trust listing**

The client trust listing identifies the amount held by the law firm for each client at month-end. This listing must be reviewed at least once a month and this is normally done in conjunction with the review of the trust reconciliations. This review will help to ensure no client ledgers are overdrawn (in a shortage position) and to identify any files where the trust funds have been residing for long periods of time. These potentially inactive files should be reviewed to determine if the matter is still ongoing and if not, then the funds should be paid out to the appropriate party. In cases where the funds cannot be paid out as the client/payee cannot be located, the funds might be payable to the Law Society as undisbursable trust funds under Rule 119.27. Undisbursable amounts less than \$50 can be reported on one form to a maximum of 10, while all amounts greater than \$50 each require a separate form.

**32. Other client property, please refer to Rule 119.28.**

You may be requested by your client to hold in safekeeping valuable property other than trust monies. Examples might include items of a personal nature such as jewelry or paintings. A receipt or acknowledgement should be provided to the client providing sufficient description of the nature of this other property. The property should be secured and relevant documentation maintained. Please contact a Practice Advisor should you have questions on the definition of client property.

**33. Estate files**

Provide details including file number/name, date file opened, amount held in trust as at the last date of the reporting period and the reason why the funds are still in trust.

**4. FINANCIAL INSTITUTION AUTHORIZATION**

This is to grant authorization for the Law Society to obtain law firm bank account information directly from your banking institution when the Law Society is conducting an examination, review, audit or investigation in accordance with Rule 119.33.

Download and print the Financial Institution Authorization Release Form. The Responsible Lawyer must print their name, sign and date this document. Then attach the signed document.

The form can be found on the website:

[https://dvbat5idxh7ib.cloudfront.net/wp-content/uploads/2017/01/Vetting\\_Form\\_Self-Report.pdf](https://dvbat5idxh7ib.cloudfront.net/wp-content/uploads/2017/01/Vetting_Form_Self-Report.pdf)

**5. LAWYER CERTIFICATION**

This is to certify that all the information contained in the Self-Report is true and correct