



Opening Professional Trust Accounts for Lawyers

What is a Lawyer's Trust Account?

One of the routine aspects of practicing law is receiving money from and on behalf of clients and third parties in advance. Client funds must be segregated from a lawyer's own funds and accounted for in a manner that allows the lawyer to determine, to the penny, what funds are held on behalf of each and every client. Lawyers accomplish this by placing all client money in a separate bank account called a trust account.

Types of Trust Account

- **Pooled trust accounts** are interest-bearing trust accounts required to be maintained for one or more clients at an approved depository pursuant to Rule 119.16 (2) of the Rules of the Law Society of Alberta and designated as a trust account in the name of the law firm.
- **Separate interest-bearing accounts** are trust accounts where trust money is deposited with an approved depository in an interest-bearing form such as GICs or Term Deposits for a fixed period, in a separate account and in the name of the lawyer's client, pursuant to an agreement in writing.

Before opening a Trust Account, request the following:

- A copy of the approval letter from the Law Society of Alberta to operate a trust account
- A Letter of Direction to the financial institution indicating that:
 - I Interest earned on the pooled trust account will be remitted to the Alberta Law Foundation in accordance with the agreement between the Financial Institution and the Foundation pursuant to Section 126(1) of the *Legal Profession Act*, and;
 - II All bank service charges in connection with the trust account will be debited from the Law Firms' General Account held at your financial institution; or,
 - III If the law firm does not maintain a General Account at your financial institution, pursuant to Rule 119.19 (4)(d) a law firm may maintain a maximum of \$500 of the firm's own money in each of the firm's pooled trust accounts as a "float" to cover fees and bank services charges. This float must be managed and reconciled monthly by the law firm.

Financial Institution Obligation

- Ensure that the pooled trust account is coded as a Professional Lawyers Pooled Trust Account and that the interest earned is being remitted to the Alberta Law Foundation in accordance with your agreement with the Foundation; and,
- Sign and date the "Letter of Direction to Financial Institution re: Interest on Pooled Trust Account", ensuring that the full transit and bank account number are indicated on the letter.

Contact

For questions relating to lawyer's approval to maintain a trust account, contact:

Law Society of Alberta
403.228.5632
trust.safety@lawsociety.ab.ca

For questions relating to how interest should be remitted, contact:

Alberta Law Foundation
403.264.4701