



# Trust Accounting

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Law Society  
of Saskatchewan



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Why is this important to you?



# Why is this important to you?



Millions of dollars pass through lawyers' trust accounts every day



Lawyers and their trust accounts have become a target for money-laundering criminals



Disciplinary actions possible for non-compliance



Ignorance or lack of time not acceptable justifications

# Key Trust Accounting Rules

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- Lawyers ultimately responsible – 1502
- Client ID & Verification – 1541-1549
- “No cash” rule - 1503
- Trust funds only – 1511(1)
- Accepting Trust Monies – 1504
- Withdrawing Trust Monies – 1513-1514
- Monthly trust bank account reconciliations – 1524
- Trust account records – 1518, 1519, 1529, 1530



# Anti-Money Laundering Initiatives

Rules initially came into force July 1, 2009

- Client ID & verification – Rules 1541 – 1549
- “No-Cash”- Rule 1503

Most recent rules update took effect January 1, 2020

- Fewer exceptions for accepting cash greater than \$7,500
- Additional methods to verify ID
- New requirement to inquire into source of funds
- Obligation to periodically monitor ongoing clients
- Clarify use of trust account

Sample forms and FAQs available on our website



# Trust Account - Types

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- There are 2 types of trust accounts:
  1. Pooled Trust Accounts
  2. SIBAs
- All trust monies must **first** be deposited to pooled trust account
- Pooled trust accounts hold multiple clients' trust monies
- Interest paid to Law Foundation of Saskatchewan
- Bank fees are borne by law firm

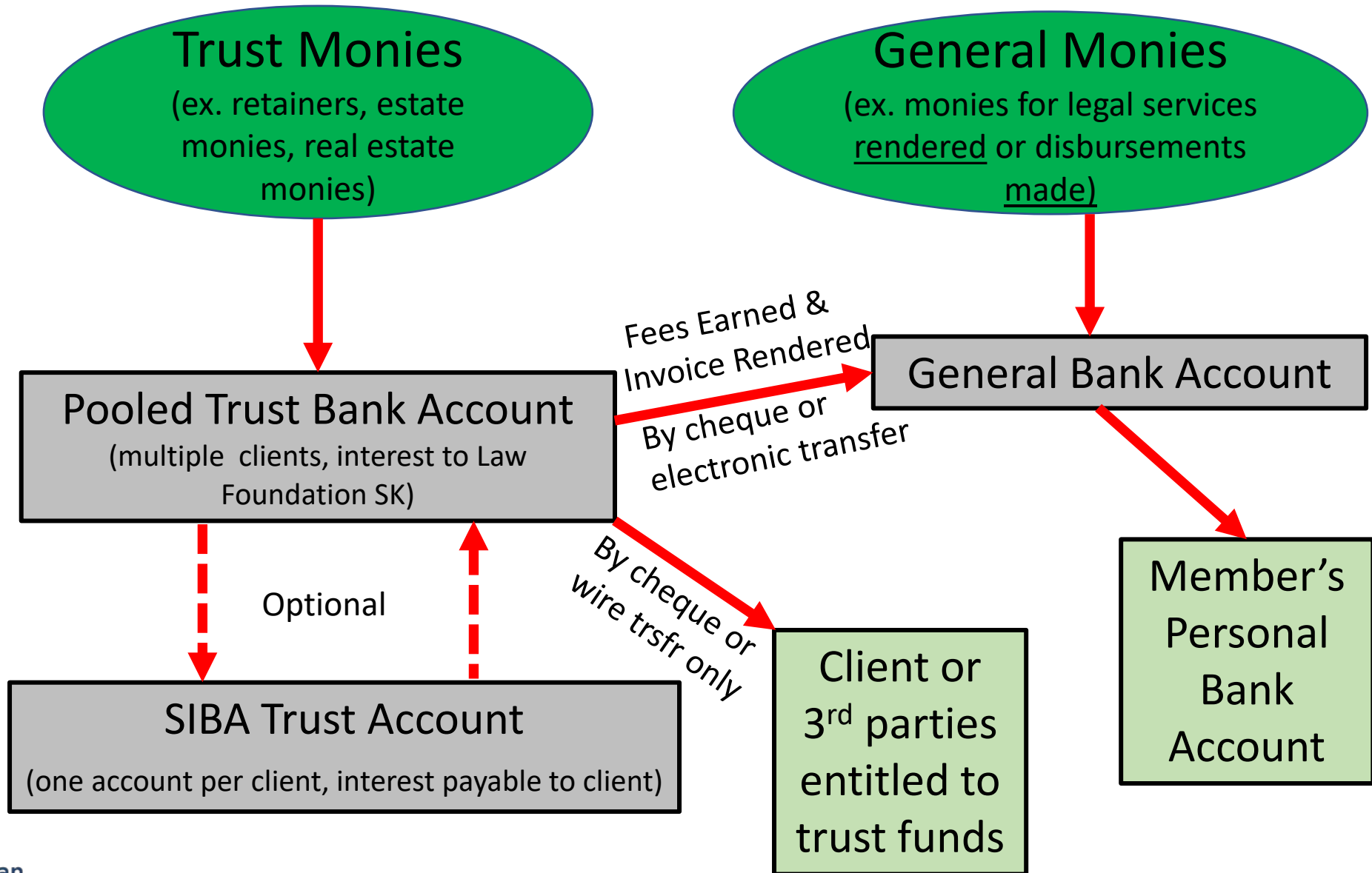


# SIBAs - Rules 1507, 1515 - 1516

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- SIBA = Separate Interest-Bearing Account
- Deposits to SIBAs must come from pooled trust accounts
- Ideal for:
  - larger sums of trust monies
  - trust monies held for longer periods of time
  - when interest rates are high
- Advantage - Reduces net cost to client as interest is paid to client
- Disadvantage - Increases administrative burden on firm

# Flow of Monies





# Accepting Trust Monies

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Cash \*



Cheque



Electronic Transfer

- POS Terminal – Debit or Credit
- Wire Transfer
- EFT
- Email Money Transfer



# Considerations Prior to Paying out Trust Monies

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- ✓ Sufficient funds in specific client's trust account
- ✓ No trust conditions requiring a holdback
- ✓ Cheque/wire transfer being issued on proper trust bank account
- ✓ If paying by wire, wire instructions have been vetted independently with client/payee in-person or by phone
- ✓ For payment of legal fees, legal invoice has been prepared & issued to client

# Withdrawing Trust Monies

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Cheque



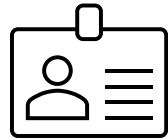
Electronic Transfer

- Wire Transfer
- Transfer to SIBA
- Legal Fees to General Account \*

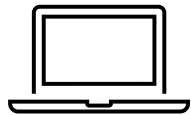


# Recent Updates

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Client ID & Verification rules



Annual Reporting



Fines & Disqualification



Electronic Wire Transfers



# Recordkeeping & Retention

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- Transactions must be recorded timely
- Records include non-trust records, i.e. trust & general accounts
- Monthly bank reconciliations packages must include:
  - Bank reconciliation – trust & general
  - Bank statements with cheques – trust & general
  - Client Trust Listing – applicable to trust only
- Most records can be retained electronically with a few exceptions

# Sample Bank Reconciliation

Smith & Jones  
Trust Bank Reconciliation  
Month: November 2021

## Bank Reconciliation

Ending bank balance per trust bank statement	\$ 188,650.00	<b>A</b>
plus: outstanding deposits (listing attached)	1,000.00	<b>B</b>
less: outstanding cheques (listing attached)	(16,250.00)	<b>C</b>
<b>Adjusted Bank balance</b>	<b><u>\$ 173,400.00</u></b>	<b>D</b>

Must match  
month-end  
Bank stmt  
balance

Must match  
total on client  
trust listing

**A** This amount must equal the bank balance at the end of the month (i.e. Nov 30/16) as shown on the actual bank statement

**B** This amount must be supported by a breakdown of individual deposits outstanding.

**C** This amount must be supported by a listing of cheques outstanding.

**D** This amount must agree to the client trust listing total and the ending balance of the trust bank journal

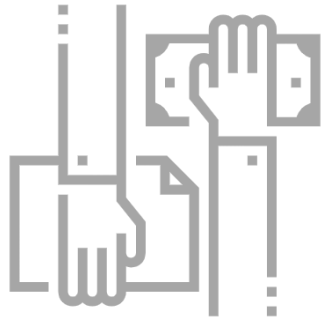
# Sample Client Trust Listing

Smith & Jones  
Client Trust Listing  
As at November 30, 2016

Client #	Client Name	Matter Description	TOTAL in Trust	Date of Last Trust Transaction
110	C Carlson	Estate of M Carlson	\$ 95,000.00	4-Nov-21
123	D Davies	Divorce	\$ 2,497.88	11-Jan-19
98	T McDonald	DUI	\$ 2,888.50	30-Mar-21
157	K Simair	Small claims litigation	\$ 20,000.00	4-Oct-20
150	R Wallace	Purchase of 285 Church Ave	\$ 1,589.00	22-Jan-21
75	R Warner	Estate of E Fitzgerald	\$ 37,935.02	17-Nov-18
145	G Wilson	Dispute with CRA	\$ 13,489.60	14-Nov-16
<b>TOTAL</b>			<b>\$ 173,400.00</b>	

Review date of last trust transaction to help ensure files are progressing & monies are being paid out in a timely manner

Must match "adjusted bank balance"



# FRAUD





# Red Flags

**FRAUD ALERT!**






- New client with contact by email only
- Generically addressed email from new client
- Client suggests sense of urgency
- Client willing to pay higher hourly rate or larger quoted fee without question or hesitation
- Last minute change in wire transfer instructions



- Instructions to pay unknown/unrelated 3rd party
- Opposing party unexpectedly willing to settle claim/debt without any work by lawyer
- Retainer payment arrives on cheque issued from unrelated party

# How to Reduce Risk of Fraud

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-  Implement robust IT security measures
-  Provide training to staff
-  Be sure to properly ID and verify ID of clients
-  Independently confirm wire instructions
-  Stay alert



# Helpful Resources & Links

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- Member Resources on our website
- Practice Advisors
- [Practicepro.ca](https://www.practicepro.ca)
- [Avoidaclaim.com](https://www.avoidclaim.com)
- [flsc.ca](https://www.flsc.ca)



# Tips & Tricks



File  
Checklists

Track cash  
received



Review Client  
Trust Listing

Educate  
Staff



Colour Code  
Cheques

Void cheque  
from client



# Questions?

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Please reach out to us at any time with questions!



[auditor@lawsociety.sk.ca](mailto:auditor@lawsociety.sk.ca)



306.569.8242 or 1.833.733.0133



Law Society  
of Saskatchewan