

Trust Safety: Self-Report Guideline

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1. Background

Rule 119.38 requires all law firms to provide a completed Law Firm Self-Report to the Law Society annually. The report is 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 firm, 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 119.10(1)(e).

The Law Firm Self-Report asks 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

All law firms are required to e-file the annual Law Firm Self-Report via the [Lawyer Portal](#).

2. Filing Deadline

The mandatory designated filing date for all law firms is Dec. 31. For firms that operate a trust account, the filings include the Law Firm Self-Report and either the Trust Safety Accounting Upload or Accountant's Report. For firms that do not operate a trust account, the filings include the Law Firm Self-Report.

a. Late Filings

Late filing fees will begin after the due date (March 31) up to a maximum of three months late or \$1,500 in late fees.

Law firms that do not comply and file by the due date will be subject to late fees and administrative suspension. The [Penalty Schedule](#) can be located on the website.

The RL is administratively suspended on July 1 if the Annual Reports are not filed three months after the due date and any late fees remain unpaid.

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.

- I. Firm Practice Profile
- II. Bank Account Information
- III. Trust Bank Account Reporting
- IV. Law Firm Self-Report:
 - Section A: General Information
 - Section B: General Bank Account
 - Section C: Trust Bank Account

The sections that need to be completed will depend on whether the law firm operates a trust bank account. If the firm does not operate a trust account, the Trust Bank Account Report and Section C of the Law Firm Self Report does not have to be completed. The following chart outlines these filing responsibilities depending on the firm's situation:

LAW FIRM SELF-REPORT

LAW FIRM SITUATION	LAW FIRM SELF-REPORT					
	FIRM PRACTICE PROFILE	BANK ACCOUNT INFORMATION	TRUST BANK ACCOUNT 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.

Ensure that Membership Services has **current contact information** (including telephone/fax numbers, mailing/email addresses and change of name). Please submit all change requests to Membership Services prior to submitting the Self-Report.

a. Firm Practice Profile

Please indicate the 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%.

b. Bank Accounts

All Law firms are required to provide their Trust and General bank account information when submitting their Self-Report. Once this information is entered into the system, the bank account(s) information for the firm can be updated annually.

- General Bank Accounts - 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.
- Pooled Trust Accounts - 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 have historically been referred to as "mixed" or "operating" trust accounts.
- Separate Interest-Bearing Trust Accounts (SIBA) - 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 the firm's legal accounting system in the reporting period.

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

c. Trust Bank Account Report

The Trust Bank Account Report includes further details on the firm's Trust bank accounts. This report does not need to information about General accounts and should only be completed if the firm operates a Trust account.

How to complete a Trust Bank Account Report:

- Each trust bank account that was maintained during the reporting year (January 1 – December 31) must be reported on.
- The system only recognizes digits, so a \$0 value is valid. Please do not enter “Null” or any other words. Use the data from the December trust reconciliations except for the total bank deposits for the year and total bank withdrawals for the year.
- If your reconciled journal balance does not match the total client trust listing, you are required to provide an “Out of Balance” explanation.
- Before moving to the next account, remember to click “Save” or the information keyed in will be lost. Once all accounts have been completed, the submit button becomes available.
- After submitting, no further changes can be made to the report.

What to Record on a Trust Bank Account Report:

- **Total bank deposits for the year:** The sum of all trust deposits (receipts) from Jan 1 – Dec 31.
- **Total bank withdrawals for the year:** The sum of all trust withdrawals (disbursements) from Jan 1 – Dec 31.
- **December 31 bank statement balance:** Bank statement closing balance of the trust account as of Dec 31.
- **Outstanding trust cheques as at December 31:** Cheques and payments that have not cleared the bank as of Dec 31.
- **Outstanding deposits as at December 31:** Deposits and receipts that have not cleared the bank as of Dec 31.
- **Net adjustments:** The net result of any adjustments such as bank errors or posting errors as of Dec 31

- **Reconciled journal balance:** The sum of the ending bank balance as of Dec 31, less outstanding trust cheques, plus outstanding deposits, plus or minus net adjustments (The reconciled journal balance is not the trust journal balance).
- **Total Client Trust Listing (CTL):** The total listing of the trust balance for each client and matter noted on each trust ledger as of Dec 31.
- **Out of Balance Explanation:** If your reconciled journal balance does not match the total client trust listing, you are required to provide an explanation.

d. Law Firm Self-Report

i. Section A – General Information

1. Accounting software

All law firms should use approved accounting software for recording trust and general transactions, unless exempt. The version can be usually determined from the drop down “Help” menu under “About.”

2. A. Electronic Back-up and restore

Rule 119.35 (5) requires firms to maintain a monthly electronic backup of the prescribed financial records in a safe and secure location. This is critical to protect against cybersecurity or data breaches, hardware failures and system outages, as well as power or network disruption, flooding or fire. It is recommended to store backup copies of your files somewhere separate from your computer on an external hard disk, for example. That way, if the computer breaks, or is lost or stolen, the backup will still be intact. For maximum security, it should be kept in an off-site location.

If you maintain manual accounting records it is unlikely that you will have a back-up of the books and records.

B. Test and restore

Rule 119.35 (5) also requires firms to test and restore their back-ups, semi-annually. Testing and restoring backups ensures that essential data is being fully and accurately preserved. If a test fails, the problem can be fixed before the data is lost forever.



However, the back-up need not be tested manually, if reliance can be placed upon the approved accounting software IT general controls. Cloud-based service contracts should contain information on how the service is provided and how backups and restores are managed. They should have many layers of security and resilience. However, it is important to understand exactly what is and isn't covered in the backup and restore services of the cloud service provider. There is a very distinct difference between backup and 'restore'.

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 119.44(1) defines the situations where a lawyer is acting in a representative capacity. This rule was created to preserve lawyers being able to deal with funds in a fiduciary capacity outside a solicitor-client retainer, and to preserve the public's ability to use respected and regulated individuals as fiduciaries for matters of importance to clients.

However, the use of the trust account is for purposes only where legal services are provided, funds that are fiduciary property cannot be deposited to a trust account. There may be some limited circumstances, where a lawyer is acting in a dual role (such as executor and lawyer to an estate), the funds in question may be directly related to the provision of related legal services and may thereby be deposited in a trust account, but these circumstances are expected to be limited.

To reiterate Lawyers cannot deposit funds held as trustee/administrator/executor into their law firm trust account if it is not directly related to the provision of legal services.



Rep Cap funds (not directly related to the provision of legal services) have to be placed into a separate Trustee account, related to their practice.

- A Trustee account is an account opened at the bank pursuant to a trust agreement, power of attorney or appointment as an executor
- It could be a business operating account, savings account or an investment vehicle
- Separate bank account in the name of the name of the lawyer or firm in trust for the beneficiary or estate
- Interest-bearing trust account
- Interest earned belongs to the client

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

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 Identification and Verification

When providing any legal service, lawyers are obliged under the Rules 119.46 -119.47 to identify a client by obtaining the client’s name, address,

phone numbers, and occupation. Lawyers must identify client organizations by obtaining the organization's contact information, as well as information about the individual that instructs the lawyer on the organization's behalf, and the nature of the client's business.

More detailed verification of a client's identity is required as per Rules 119.48 – 119.55 in the event the lawyer is engaged in, or gives instructions in respect of, the receipt, payment or transfer of funds on the client's behalf. As part of this process, lawyers must obtain information about the source of the funds being transferred.

For more details and exceptions to the Client identification and verification rules, please refer to the [website](#) or contact a Law Society Practice Advisor.

ii. Section B – General Bank

1. Receive trust money in general

It is not permitted to receive trust money into the law firm general account.

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.

2. Use another law firm's trust bank account

As per Rule 119.8, 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(2)(c): A recording, within the lawyer’s accounting system, for each general account of the law firm, that lists all financial transactions for the account, chronologically, including all receipts, deposits, payments, withdrawals or transfers of money.

Billing Journal – Rule 119.35(2)(a): 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 119.35(2)(b): 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.

4. **General account supporting 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. **General account use**

A general account is parallel to your business operating account and should only be used to pay vendors and receive payments after legal services have been rendered.



6. General account reconciliations

It is a requirement Under Rule 119.36, 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

Answer “yes” to any instances in the reporting period where the law firm issued a general cheque 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)

The No Cash Rule means lawyers must not accept:

- more than \$7,500 in cash from clients or prospective clients, in respect to any one client matter.
- more than \$7,500 in cash on a client matter even if there is more than one client. The limit applies despite the number of clients.

A lawyer can accept greater than 7,500 cash from a client:

- for unrelated matters, but only if the amount for each individual matter is \$7,500 or less; or
- in foreign currency, but the amount once converted to Canadian dollars must not be greater than \$7,500.

A lawyer may receive more than \$7,500 cash in connection with the provision of legal services if it:

- comes from a financial institution or public body;
- comes from a peace officer, law enforcement agency, or other agent of the crown (acting in their official capacity);
- is used to pay a fine, penalty or bail; or
- is for professional fees, disbursements, or expenses, provided that any refund is also made in cash.



9. Cash receipt book

As per Rule 119.58(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. Cash refunds

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 must be in the form of cash. Please refer to Rule 119.57(4)(d).

11. Statement of account

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).

12. Accounts receivables

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 reviewed and retained.

13. Fees transferred into the general bank account Rule 119.28 (4)

If the funds become payable to the firm, the law firm should bill for the funds and withdraw the funds within 1 month of the firm becoming entitled to the funds.

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.

At the end of this section, you can check the box for no trust account and go directly to the Lawyer Certification on the last page.

i. Section C – Trust Bank Account

I. CDIC compliance

Professional Trustee Accounts (PTAs) are accounts that Professional Trustees designate as such with their Member Institution (MI). By doing so, these trustees are no longer required to regularly report beneficiary information to CDIC member institutions for these accounts, and instead would only need to provide beneficiary information to CDIC upon CDIC's request. Accounts with this designation continue to be insured to a maximum of \$100,000 per beneficiary.

Trust accounts held by Professional Trustees are not automatically treated as PTAs. To qualify for the Professional Trustee reporting rules as a law firm or legal professional, you must:

- hold a deposit account “In Trust” at a CDIC MI;
- designate all CDIC insured trust accounts as PTAs with your financial institution;
- complete the required attestation to your financial institution that you qualify as a Professional Trustee and provide your contact information;
- meet ongoing obligations as a Professional Trustee:
 - Maintain up-to-date beneficiary records;

- Specify the type of deposit account;
- Provide information to CDIC upon request; and
- annually re-attest to your status as a Professional Trustee to your financial institution.

Not all financial institutions are CDIC insured. A list of CDIC members is available on their [website](#).

For further CDIC requirements for deposits held in trust are available on the LSA [website](#).

2. Alberta Law Foundation

The Foundation's primary source of revenue is the interest that financial institutions pay to the Foundation on lawyers' pooled trust accounts. Pursuant to section 126 of the Act, every lawyer holding a pooled trust account in Alberta is required to direct the financial institution where the account is held to pay interest to the Foundation in accordance with the arrangement between the financial institution and the Foundation. The approved depository is to remit the interest earned on that account to the Alberta Law Foundation, at least *semi-annually*.

As per rule 119.17 (5) (b) - A law firm that operates a pooled trust account must obtain from the approved depository on an annual basis, evidence that the interest earned on that account has been remitted to the Alberta Law Foundation. The requirement can be in the form of a confirmation letter / email, not an "Annual Statement."

When a new pooled trust account is opened the law firm must provide the financial institution a letter of direction instructing it to pay interest to the Foundation and have the financial institution acknowledge by signing the letter – see the [precedent letter](#) on our website and provide a copy of the signed letter to the Law Society of Alberta and the Foundation.

3. Prescribed financial records

A law firm must maintain all prescribed financial records in a safe and secure location, retrievable on demand, for a minimum of ten full years.

4. Trust records

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

Trust Journal - Rule 119.37(2)(d): A recording, within the lawyer's accounting system, for each trust account of the law firm, that lists all financial transactions for the account, chronologically, including all receipts, deposits, payments, withdrawals or transfers of money.

Client Trust Ledger – Rule 119.35(4)(b): A separate record for each client matter listing all transactions for that matter including all receipts, deposits, payments, withdrawals, or transfers of trust money.

Trust Transfer Journal – Rule 119.37(2)(e): A report showing all transfers of trust money between client trust ledgers. 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. In a manual system, it is acceptable to keep copies of the transfer authorization documents as the journal provided they are all maintained together, in date order and represent a complete file of all transfers.

All transfers between client ledgers should be supported by the direction from the client and made pursuant to a transfer document signed by a lawyer showing the date of transfer, source file, destination file and amount. This document must be prepared prior to performing each transfer.

5. Trust Bank Accounts

Check off all 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. Trust account supporting documents

In addition to recording the trust 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.

10. Float (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 119.22(3)(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 119.22(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.

12. Electronic deposit of trust funds

As per Rule 119.23(a), trust funds are to be deposited within 2 banking days to a pooled trust account for credit and debit card transactions.

13. Prohibition of Use of Trust Account

The pooled trust account cannot be used to deposit funds where no legal services were rendered in relation to the funds.

14. Endorsement of trust 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 trust bank account. If a mistake is made regarding the payee name, either return the cheque or deposit the cheque into the trust bank account and then issue a trust cheque to the proper payee.

15. 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. Part 1.2 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.

16. Insolvent Lawyer approving trust payments

Rule 119.42(2) 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.

17. Non-lawyer signing authority

The Rules of the Law Society of Alberta do not allow for a non-lawyer to have signing authority on a law firm trust account. Only active lawyers employed by the firm or an active lawyer not employed by the firm (with Law Society approval) may have unilateral signing authority on trust accounts. Please refer to Rule 119.27(3) of Part 5. If the law firm has granted sole signing authority to any individual within the law firm who is not an active practicing lawyer in Alberta, please list those individuals and related position within the law firm.

18. Handling trust funds for another law firm

As per Rule 119.8, 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.

19. Approval of trust withdrawals

Withdrawals and transfers of trust money must comply with Rule 119.27.

All withdrawals and transfers of trust money must be approved by a lawyer of the law firm. The approval must be recorded in paper or digital form.

20. Electronic withdrawals

Electronic withdrawals can be made from the trust bank account in accordance with Rules 119.31.

21. State-dated trust cheques

Cheques are considered stale-dated after six months of issuance and may not be honored by financial institutions. 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. Stale dated cheques inaccurately represent the financial position (assets-liabilities) of the firm, as the money still belongs to the client. The firm risks overdrawing the trust account.

22. Trust Cheques Payable to Cash or Bearer

If you are returning on a cash receipt of \$7,500 or more, the refund must be returned to the client by way of cash. This puts the client in the same cash holdings position as when he or she came to the law firm.

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 119.30(2)(b).

23. Client ledger shortages

Even though the trust account may have a positive balance, a trust shortage can occur in a pooled trust account when more funds are paid out on a client matter than what is available to the credit of that client (Rule 119.39(2)). A pooled trust account is an account comprised of funds held for a variety of clients (Rule 119(u) and Legal Profession Act, section 126(1)). Even though the trust account may have a positive balance, it may be short regarding a specific client.

24. Trust shortages that were uncorrected for more than seven days

All shortages must be immediately corrected, by paying enough money into the trust account to eliminate that trust account shortage (Rule 119.39(2)).

The RL must immediately report any trust account shortage, if the trust account shortage is:

less than \$2500 and is not corrected within seven days of the time the shortage arose; or

exceeds \$2500 regardless of when the shortage is corrected (Rule 119.39(4)).

25. Trust shortages that exceed \$2,500

All shortages must be immediately corrected, by paying enough money into the trust account to eliminate that trust account shortage (Rule 119.39(2)).

The RL must immediately report any trust account shortage, if the trust account shortage is:

- less than \$2500 and is not corrected within seven days of the time the shortage arose; or
- exceeds \$2500 regardless of when the shortage is corrected (Rule 119.39(4)).

26. 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 119.27(2)(e) and (f).

27. Preparation of monthly trust reconciliations

Trust bank reconciliations are a key internal control over a law firm's assets. A reconciliation is proof that there are sufficient funds in trust; it compares what should be in trust based on your books versus what is in the bank account. 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.

28. Timing of monthly trust reconciliations

All law firm trust accounts, including Separate Interest-Bearing Accounts (SIBA), must be reconciled **monthly before the end of the next month** (Rule 119.37). The reconciliations must be completed even when there was no activity, or the bank account has a zero balance.

29. Monthly trust reconciliation package

As per Rule 119.37, the trust reconciliation package should include:

- A. Trust Reconciliation Report
- B. Client Trust Listing
- C. Trust Journal
- D. Trust Bank Statement (Pooled and SIBA)
 - o Copies of negotiated cheques are included as part of the trust bank statement.
- E. Trust Transfer Journal
- F. Electronic Banking Transactions and Records
- G. Evidence that the reconciliation has been reviewed.

Refer to [Trust Bank Reconciliations](#) for additional details.

30. Trust bank statement review

It is important 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. Refer to [Trust Bank Reconciliations](#) for additional details.

31. Non-monetary trust property

The firm may be requested by the 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.

32. 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.

If a client file has been inactive for more than two years, formulate a plan to issue refunds to the client or, after reasonable attempts to locate the client, remit the funds to the Law Society (Rule 119.43).

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.

5. Lawyer Certification

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