Supreme Court of Wisconsin

Office of Lawyer Regulation
110 East Main Street, Suite 315
P.O. Box 1648
Madison, WI 53701-1648
www.wicourts.gov/olr

Director
Timothy C. Samuelson

Trust Account Program

Program Administrator
Travis J. Stieren

Direct Telephone: (608) 261-8296
Direct Toll Free: (877) 315-6941 Ext. 2
Fax: (608) 267-1959

December 28, 2022

Clerk of Supreme Court
Attention: Susan Stephens, Deputy Clerk-Rules
P.O. Box 1688
Madison, WI 53701-1688

Re: Rule Petition 22-05, In the Matter of amendment of Supreme Court Rules 20:1.15 and 20:1.0, Relating to Electronic Banking

Dear Ms. Stephens:

We write in response to the Court's letter dated December 1, 2022, which posed three questions regarding rule petition 22-05.

1. **The petition proposes amending SCR 20:1.15(b)(1) to add the following language: "Except as provided by sub. (b)(3), a lawyer shall not hold any funds in a trust account that are unrelated to a representation." The petition also would create SCR 20:1.15(b)(6) to state, in part: "Advanced legal fees and costs. A lawyer shall deposit into a client trust account legal fees and expenses that have been paid in advance, to be withdrawn by the lawyer only as fees are earned or expenses incurred." And the petition would add the following language to SCR 20:1.0(dm): "Notwithstanding that lawyers have a property interest upon receipt of flat fees, such fees can only be earned by the provision of legal services."**

   The petitioners are invited to more fully explain why these changes are requested and how these provisions pertain to allowing electronic transfers of trust funds.

Although the primary purpose of rule petition 22-05 is to ease the restrictions on electronic transactions in attorney trust accounts, OLR also proposes two revisions generally unrelated to electronic transactions to clarify issues of confusion to practitioners that are commonly presented to OLR and the State Bar's Ethics Counsel: in proposed SCR 20:1.15(b)(1) and in proposed SCR 20:1.0(dm). Proposed SCR 20:1.15(b)(6) relates directly to the electronic transfers of funds.

First, the proposed amendment to SCR 20:1.15(b)(1) would clarify the prohibition on holding in trust funds unrelated to a client representation. The general trust account rule under SCR 20:1.15(b)(1) provides:

> A lawyer shall hold in trust, separate from the lawyer's own property, that property of clients and 3rd parties that is in the lawyer's possession in connection with a representation. All funds of clients and 3rd parties paid to a lawyer or law firm in connection with a representation shall be deposited in one or more identifiable trust accounts.

The only exception that allows for funds not related to a client representation to be held in trust is SCR 20:1.15(b)(3), which provides in relevant part: "No funds belonging to a lawyer or law firm, except funds reasonably sufficient to pay monthly account service charges, may be deposited or retained in a trust account."

Lawyers often inquire whether they may hold funds unrelated to a client representation in their trust accounts; we colloquially refer to this as "parking" funds in trust. The proposed additional language of SCR 20:1.15(b)(1) does not change the existing rule but instead clarifies it: except for the limited exception under SCR 20:1.15(b)(3), the only funds a lawyer may hold in the trust account are those in the lawyer's possession in connection with a representation. Thus, the proposed language confirms that lawyers should not park in their client trust account funds that are unrelated to a representation.

Second, OLR has encountered confusion among lawyers regarding flat fees in light of the definition in SCR 20:1.0(dm): "Flat fees become the property of the lawyer upon receipt and are subject to the requirements of SCR 20:1.5 ... and SCR 20:1.16(d)." When this language was proposed to the court as part of the 2007 revisions, it was intended to give lawyers some protection when a third party sought forfeiture of advanced flat fees in a lawyer's possession. The 2007 revisions were not intended to imply that a lawyer could earn fees without providing legal services; the reference to SCR 20:1.16(d) was intended to clarify this point. Nonetheless, some lawyers have misinterpreted this definition to mean that lawyers may consider advanced flat fees "earned" upon receipt and disburse the fees to themselves even before they are earned. The proposed language to SCR 20:1.0(dm) is intended to clarify that flat fees, like all other advanced fees, are subject to the reasonableness provisions of SCR 20:1.5(a) and must be earned prior to disbursement from the trust account under SCR 20:1.5(f).

Finally, proposed SCR 20:1.15(b)(6) relates directly to the electronic transfers of funds. The opening language (i.e., Appx. A, 92-95) was created to outline the general requirement that a lawyer must deposit advanced fees and costs in trust until earned; it is a preface to the two exceptions to this general requirement. The exceptions are: 1) the existing "alternative protection for advanced fees" exception under SCR 20:1.5(g) that allows lawyers to deposit fees into a business account if they agree to mandatory fee arbitration and the accompanying written notifications; and 2) the new proposed electronic banking exception (similar to rules in Maine and North Dakota) that allows lawyers to accept electronic payments for advanced fees and costs directly to a non-trust account so long as they transfer such funds to the trust account within two business days.

When it was initially made effective on July 1, 2007, the alternative protection for advanced fees exception was included in the trust account rule itself at SCR 20:1.15(b)(4m). When amended effective July 1, 2017, the alternative protection for advanced fees exception was moved to the general fee rule, SCR 20:1.5(g). However, the current SCR 20:1.15 includes no direct reference to SCR 20:1.5(g) that would alert lawyers to this exception. Some persons reviewing the trust account rule relating to advanced fees may be unaware that the alternative protection for

advanced fees exception exists and is located in a separate rule (i.e., SCR 20:1.5(g)). The proposed language in the petition would clarify this exception within the bounds of the trust account rule itself.

Thus, proposed SCR 20:1.15(b)(6) serves the dual purposes of giving notice of the existing alternative protection for advanced fees exception to the general trust account rule provided by SCR 20:1.5(g) and also creating a new exception allowing for electronic payments for advanced fees and costs to be made to a non-trust account if promptly transferred to the trust account.

2. **The petition proposes adding several comments following SCR 20:1.15(f)(1) that appear to impose substantive obligations upon attorneys, including requirements relating to reimbursements of ACH reversals prior to accepting additional electronic deposits, maintaining written confirmation of authorization for electronic disbursements, and disclosing in writing any third-party electronic payment vendor surcharges for which clients may be responsible.**

   Given that Comments to SCRs generally are not adopted by the court as part of the rules and are instead provided as interpretative guidance, the petitioners are invited to explain on what specific provisions in existing SCRs these comments are based.

OLR intended that the proposed comments would clarify a lawyer's obligations under the amended SCR 20:1.15(f)(1) which may result from the application of SCRs 20:1.5(b) and 20:1.15(g). Any substantive ethical obligations result from the existing and amended rules, not the proposed comments.

The first paragraph of the proposed comment (Appx. A, 812-820) clarifies that proposed SCR 20:1.15(f)(1) allows for electronic transfers to and from the trust account, provided that the lawyer must repay any chargeback, surcharge, or ACH reversal within three business days and before accepting additional electronic payments.

The second paragraph of the proposed comment (Appx. A, 821-826) clarifies how a lawyer may comply with record-keeping obligations under proposed SCR 20:1.15(f)(1) when authorizing an electronic disbursement: they should maintain a copy of the written confirmation of authorization as part of their trust account records. Given the requirement under proposed SCR 20:1.15(f)(1) that all electronic disbursements must be authorized, and the requirement under SCR 20:1.15(g)(1) to maintain complete trust account records, this portion of the proposed comment recommends that lawyers keep with their trust account records a written confirmation of authorization for all electronic disbursements from the trust account. This is intended to provide useful guidance to lawyers as to what constitutes complete records of trust account funds.

The third paragraph of the proposed comment (Appx. A, 827-836) addresses fees associated with electronic transactions (e.g., credit card processing fees) and clarifies that SCR 20:1.5(b)(1) requires a lawyer to communicate with the client about payment of such fees. Electronic payment processing service providers regularly charge fees per transaction. It is OLR's position that an electronic transfer processing fee is part of the "basis or rate of the fee and expenses for which the client will be responsible" pursuant to SCR 20:1.5(b)(1). Therefore, whether or how a lawyer passes on such charges to the client must be communicated to the client in accordance with SCR 20:1.5(b)(1). The proposed comment also suggests lawyers consider the contractual

requirements of electronic payment processing services, many of which prohibit charging clients for processing fees. The existing comment to SCR 20:1.15 has, since 2007, provided guidance on the handling of fees associated with electronic transactions; providing similar guidance here will continue to benefit practitioners.

3. **There are two provisions in the petition that strike references to SCR 20:1.15(f)(4)b. and replace it with (3)b. See Pet. App. A at 17 (amending SCR 20:1.15(k)(6)) and App. A at 23 (comment to SCR 20:1.15(f)). However, the petition proposes repealing SCR 20:1.15(f)(3) in its entirety and leaving that provision blank. Other provisions in the petition propose repealing references to SCR 20:1.15(f)(3)b. See Pet. App. C at 1.**

   The petitioners are invited to advise whether the above two provisions striking references to SCR 20:1.15(f)(4)b. and replacing them with references to (3)b. should be included or amended.

The two provisions in the petition that strike references to SCR 20:1.15(f)(4)b. were scrivener's errors; the petition should be revised to refer to SCR 20:1.15(f)(4)b., as in the current SCR 20:1.15. We enclose revised Appendices A and B which include these corrective proposals.

Thank you for your consideration.

Very truly yours,

Timothy C. Samuelson
Director

Travis J. Stieren
Trust Account Program Administrator

Enclosures (Amended Appendices A & B)

Supreme Court of Wisconsin

OFFICE OF COURT COMMISSIONERS
110 E. MAIN STREET, SUITE 440
MADISON, WISCONSIN 53703

Nancy A. Kopp
David W. Runke
Mark A. Neuser
Timothy Barber
Commissioners

Telephone (608) 266-7442

December 1, 2022

Timothy Samuelson, Director
Travis J. Stiern, Trust Account Program Administrator
Office of Lawyer Regulation
110 E. Main Street, Suite 315
Madison, WI 53703

Re: Rule Petition 22-05, In the Matter of amendment of Supreme Court Rules 20:1.15 and 20:1.0, Relating to Electronic Banking

Dear Director Samuelson and Administrator Stiern (petitioners):

I am assisting the Wisconsin Supreme Court with its consideration of rule petition 22-05, filed on July 15, 2022. The petition asks the court to amend SCR 20:1.15 and 20:1.0 to permit electronic transactions in lawyer trust accounts. At a closed conference on November 29, 2022, the court voted to solicit written comments from interested persons and conduct a public hearing at a date to be determined in early 2023. On December 1, 2022, a letter to interested persons was circulated requesting written comments in anticipation of the public hearing.

In addition, the court invites the petitioners to provide answers to the following questions concerning the proposed changes referenced below:

1. The petition proposes amending SCR 20:1.15(b)(1) to add the following language: "Except as provided by sub. (b)(3), a lawyer shall not hold any funds in a trust account that are unrelated to a representation." The petition also would create SCR 20:1.15(b)(6) to state, in part: "Advanced legal fees and costs. A lawyer shall deposit into a client trust account legal fees and expenses that have been paid in advance, to be withdrawn by the lawyer only as fees are earned or expenses incurred." And the petition would add the following language to SCR 20:1.0(dm): "Notwithstanding that lawyers have a property interest upon receipt of flat fees, such fees can only be earned by the provision of legal services."

   The petitioners are invited to more fully explain why these changes are requested and how these provisions pertain to allowing electronic transfers of trust funds.

2. The petition proposes adding several comments following SCR 20:1.15(f)(1) that appear to impose substantive obligations upon attorneys, including requirements relating to reimbursements of ACH reversals prior to accepting additional electronic deposits, maintaining written confirmation of authorization for electronic disbursements, and disclosing in writing any third-party electronic payment vendor surcharges for which clients may be responsible.

   Given that Comments to SCRs generally are not adopted by the court as part of the rules and are instead provided as interpretative guidance, the petitioners are invited to explain on what specific provisions in existing SCRs these comments are based.

3. There are two provisions in the petition that strike references to SCR 20:1.15(f)(4)b. and replace it with (3)b. See Pet. App. A at 17 (amending SCR 20:1.15(k)(6)) and App. A at 23 (comment to SCR 20:1.15(f)). However, the petition proposes repealing SCR 20:1.15(f)(3) in its entirety and leaving that provision blank. Other provisions in the petition propose repealing references to SCR 20:1.15(f)(3)b. See Pet. App. C at 1.

   The petitioners are invited to advise whether the above two provisions striking references to SCR 20:1.15(f)(4)b. and replacing them with references to (3)b. should be included or amended.

The court requests that petitioners submit a written response to these questions by Friday, December 30, 2022, with the Clerk of Supreme Court, Attention: Deputy Clerk-Rules, P.O. Box 1688, Madison, WI 53701-1688. Please also email a Microsoft Word version of your response to clerk@wicourts.gov.

If you have specific questions or other comments with regard to this matter, please contact me by mail at P.O. Box 1688, Madison, WI 53701-1688; by telephone at 608-266-7442; or by email at *tim.barber@wicourts.gov*.

Very truly yours,
/s/
Timothy Barber
Supreme Court Commissioner

cc: Chief Justice Annette Kingsland Ziegler
Justice Ann Walsh Bradley
Justice Patience Drake Roggensack
Justice Rebecca Grassl Bradley
Justice Rebecca Frank Dallet
Justice Brian Hagedorn
Justice Jill J. Karofsky

SCR 20:1.15 Safekeeping property; trust accounts and fiduciary accounts.

(a) **Definitions.**

In this section:

(1) "Draft account" means an account upon which funds are withdrawn through a properly payable instrument or an electronic transaction.

(2) "Electronic transaction" means a paperless transfer of funds to or from a trust or fiduciary account. Electronic transactions do not include transfers initiated by voice or automated teller or cash dispensing machines.

(3) "Fiduciary" means an agent, attorney-in-fact, conservator, guardian, personal representative, special administrator, trustee, or other position requiring the lawyer to safeguard the property of a client or 3rd party.

(4) "Fiduciary account" means an account in which the lawyer deposits fiduciary property.

(5) "Fiduciary property" means funds or property of a client or 3rd party that is in a lawyer's possession in a fiduciary capacity. Fiduciary property includes, but is not limited to, property held as agent, attorney-in-fact, conservator, guardian, personal representative, special administrator, or trustee, subject to the exceptions identified in sub. (m).

(6) "Financial institution" means a bank, savings bank, trust company, credit union, savings and loan association, or investment institution, including a brokerage house.

(7) "Immediate family member" means the lawyer's spouse, registered domestic partner, child, stepchild, grandchild, sibling, parent, stepparent, grandparent, aunt, uncle, niece, or nephew.

(8) "Interest on Lawyer Trust Account or 'IOLTA account'" means a pooled interest-bearing or dividend-paying draft trust account, separate from the lawyer's business and personal accounts, which is maintained at an IOLTA participating institution. Typical funds that would be placed in an IOLTA account include earnest monies, loan proceeds, settlement proceeds, collection proceeds, cost advances, and advanced payment of fees that have not yet been earned. An IOLTA account is subject to the provisions of the SCR Chapter 13 and the trust account provisions of subs. (a) to (i), including the IOLTA account provisions of subs. (c) and (d).

(9) "IOLTA participating institution" means a financial institution that voluntarily offers IOLTA accounts and certifies to WisTAF annually that it meets the IOLTA account requirements of sub. (d).

(10) "Properly payable instrument" means an instrument that, if presented in the normal course of business, is in a form requiring payment

pursuant to the laws of this state.

(11) "Trust account" means an account in which the lawyer deposits trust property.

(12) "Trust property" means funds or property of clients or 3rd parties, which is not fiduciary property, that is in the lawyer's possession in connection with a representation.

(13) "WisTAF" means the Wisconsin Trust Account Foundation, Inc.

(b) **Segregation and safekeeping of trust property.**

(1) **Separate account.** A lawyer shall hold in trust, separate from the lawyer's own property, that property of clients and 3rd parties that is in the lawyer's possession in connection with a representation. All funds of clients and 3rd parties paid to a lawyer or law firm in connection with a representation shall be deposited in one or more identifiable trust accounts. Except as provided by sub. (b)(3), a lawyer shall not hold any funds in a trust account that are unrelated to a representation.

(2) **Identification and location of account.** Each trust account shall be clearly designated as a "Client Account," a "Trust Account," or words of similar import. The account shall be identified as such on all account records, including signature cards, monthly statements, checks, and deposit slips. An acronym, such as "IOLTA," "IOTA," or "LTAB," without further elaboration, does not clearly designate the account as a client account or trust account. Each trust account shall be maintained in a financial institution that is authorized by federal or state law to do business in Wisconsin and that is located in Wisconsin or has a branch office located in Wisconsin and which agrees to comply with the overdraft notice requirements of sub. (h). A trust account may be maintained at a financial institution located in the jurisdiction where the lawyer principally practices law if that jurisdiction has an overdraft notification requirement.

(3) **Lawyer funds.** No funds belonging to a lawyer or law firm, except funds reasonably sufficient to pay monthly account service charges, may be deposited or retained in a trust account. Each lawyer or law firm that receives trust funds shall maintain at least one draft account, other than the trust account, for funds received and disbursed other than in a trust capacity, which shall be entitled "Business Account," "Office Account," "Operating Account," or words of similar import.

(4) **Trust property other than funds.** Unless a client otherwise directs in writing, a lawyer shall keep securities in bearer form in a safe deposit box at a financial institution authorized to do business in Wisconsin. The safe deposit box shall be clearly designated as a "Client Account" or "Trust Account." The

lawyer shall clearly identify and appropriately safeguard other property of a client or 3rd party.

(5) **Insurance and safekeeping requirements.** Each trust account shall be maintained at a financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), the Securities Investor Protection Corporation (SIPC), or any other investment institution financial guaranty insurance. IOLTA accounts shall also comply with the requirements of sub. (d)(3). ~~Lawyers using the alternative to the E-Banking Trust Account shall comply with the requirements of sub. (f)(3)c.~~ Except as provided in subs. (b)(4) and (d)(3)b. and c., trust property shall be held in an account in which each individual owner's funds are eligible for insurance.

(6) **Advanced legal fees and costs.** A lawyer shall deposit into a client trust account legal fees and expenses that have been paid in advance, to be withdrawn by the lawyer only as fees are earned or expenses incurred, except as follows:

a. The lawyer complies with the requirements of SCR 20:1.5(g).

b. The lawyer may accept credit card payments or electronic funds transfer payments of advanced legal fees and expenses as temporary deposits in a non-trust account, so long as such funds are transferred promptly, and no later than two business days following receipt, into a client trust account. However, except as provided by SCR 20:1.5(g), a lawyer shall not accept any advance payment into a non-trust account if the lawyer has any reason to suspect that the funds will not be successfully transferred into the client trust account within two business day of receipt.

(c) **Types of trust accounts.**

(1) **IOLTA accounts.** A lawyer or law firm who receives client or 3rd-party funds that the lawyer or law firm determines to be nominal in amount or that are expected to be held for a short period of time such that the funds cannot earn income for the benefit of the client or 3rd party in excess of the costs to secure that income, shall maintain a pooled interest-bearing or dividend-paying draft trust account in an IOLTA participating institution.

(2) **Non-IOLTA accounts.** A lawyer or law firm who receives client or 3rd-party funds that the lawyer or law firm determines to be capable of earning income for the benefit of the client or 3rd party shall maintain an interest-bearing or dividend-paying non-IOLTA trust account. A non-IOLTA trust account shall be established as any of the following:

a. A separate interest-bearing or dividend-paying trust account maintained for the particular client or 3rd party, the interest or dividends on which shall be paid to the client or 3rd party, less any transaction costs.

b. A pooled interest-bearing or dividend-paying trust account with sub-accounting by the financial institution, the lawyer, or the law firm that will provide for computation of interest or dividends earned by each client's or 3rd party's funds and the payment of the interest or dividends to the client or 3rd party, less any transaction costs.

c. An income-generating investment vehicle selected by the client and designated in specific written instructions from the client or authorized by a court or other tribunal, on which income shall be paid to the client or 3rd party or as directed by the court or other tribunal, less any transaction costs.

d. An income-generating investment vehicle selected by the lawyer to protect and maximize the return on funds in a bankruptcy estate, which investment vehicle is approved by the bankruptcy trustee or by a bankruptcy court order, or otherwise consistent with 11 U.S.C. § 345.

e. A draft account or other account that does not bear interest or pay dividends because it holds funds the lawyer has determined are not eligible for deposit in an IOLTA account because they are neither nominal in amount nor expected to be held for a short term such that the funds cannot earn income for the client or 3rd party in excess of the costs to secure the income, provided that the account has been designated in specific written instructions from the client or 3rd party.

(3) **Selection of account.** In deciding whether to use the account specified in par. (1) or an account or investment vehicle specified in par. (2), a lawyer shall determine, at the time of the deposit, whether the client or 3rd-party funds could be utilized to provide a positive net return to the client or 3rd party by taking into consideration all of the following:

a. The amount of interest, dividends, or other income that the funds would earn or pay during the period the funds are expected to be on deposit.

b. The cost of establishing and administering a non-IOLTA trust account, including the cost of the lawyer's services and the cost of preparing any tax reports required for income accruing to a client's or 3rd party's benefit.

c. The capability of the financial institution, lawyer, or law firm to calculate and pay interest, dividends, or other income to individual clients or 3rd parties.

d. Any other circumstance that affects the ability of the client's or 3rd party's funds to earn income in excess of the costs to secure that income for the client or 3rd party.

(4) **Professional judgment.** The determination whether funds to be invested could be utilized to provide a positive net return to the client or 3rd party rests in the sound judgment of the lawyer or law firm. If a lawyer acts in

good faith in making this determination, the lawyer is not subject to any charge of ethical impropriety or other breach of the Rules of Professional Conduct.

(d) **Interest on Lawyer Trust Account (IOLTA) requirements.**

(1) **Location.** An IOLTA account shall be maintained only at an IOLTA participating institution.

(2) **Certification by IOLTA participating institutions.**

a. Each IOLTA participating institution shall certify to WisTAF annually that the financial institution meets the requirements of sub. (d)(3) to (6) for IOLTA accounts and that it reports overdrafts on draft trust accounts and draft fiduciary accounts of lawyers and law firms to the office of lawyer regulation, pursuant to the institution's agreements with those lawyers and law firms. WisTAF shall by rule adopted under SCR 13.03(1) establish the date by which IOLTA participating institutions shall certify their compliance.

b. WisTAF shall confirm annually, by a date established by WisTAF by rule adopted under SCR 13.03(1), the accuracy of a financial institution's certification under sub. (d)(2)a. by reviewing one or more of the following:

1. The IOLTA comparability rate information form submitted by the financial institution to WisTAF.

2. Rate and product information published by the financial institution.

3. Other publicly or commercially available information regarding products and interest rates available at the financial institution.

c. WisTAF shall publish annually, no later than the date on which the state bar mails annual dues statements to members of the bar, a list of all financial institutions that have certified, and have been confirmed by WisTAF as IOLTA participating institutions. WisTAF shall update the published list located on its website to add newly confirmed IOLTA participating institutions and to remove financial institutions that WisTAF cannot confirm as IOLTA participating institutions.

d. Prior to removing any financial institution from the list of IOLTA participating institutions or failing to include any financial institution on the list of IOLTA participating institutions, WisTAF shall first provide the financial institution with notice and sufficient time to respond. In the event a financial institution is removed from the list of IOLTA participating institutions, WisTAF shall notify the office of lawyer regulation and provide that office with a list of the lawyers and law firms maintaining IOLTA accounts at that financial institution. The office of lawyer regulation shall notify those lawyers and law firms of the removal of the financial institution from the list, and provide time for those lawyers and law firms to move their IOLTA accounts to an IOLTA participating institution.

e. Lawyers and law firms may rely on the most recently published list of IOLTA participating institutions for purposes of compliance with sub. (c)(1), except when the office of lawyer regulation notifies the lawyer or law firm of removal, in accordance with sub. (d)(2)d.

(3) **Safekeeping requirements.**

a. An IOLTA participating institution shall comply with the insurance and safety requirements of sub. (b)(5).

b. A repurchase agreement utilized for an IOLTA account may be established only at an IOLTA participating institution deemed to be "well-capitalized" or "adequately capitalized" as defined by applicable federal statutes and regulations.

c. An open-end money market fund utilized for an IOLTA account may be established only at an IOLTA participating institution in a fund that holds itself out as a money market fund as defined under the Investment Act of 1940 and, at the time of investment, has total assets of at least $250,000,000.

(4) **Income requirements.**

a. **Beneficial owner.** The interest or dividends accruing on an IOLTA account, less any allowable reasonable fees, as allowed under par. (5), shall be paid to WisTAF, which shall be considered the beneficial owner of the earned interest or dividends, pursuant to SCR Chapter 13.

b. **Interest and dividend requirements.** An IOLTA account shall bear the highest non-promotional interest rate or dividend that is generally available to non-IOLTA customers at the same branch or main office location when the IOLTA account meets or exceeds the same eligibility qualifications, if any, including a minimum balance, required at that same branch or main office location. In determining the highest rate or dividend available, the IOLTA participating institution may consider factors in addition to the IOLTA account balance that are customarily considered by the institution at that branch or main office location when setting interest rates or dividends for its customers, provided the institution does not discriminate between IOLTA accounts and accounts of non-IOLTA customers and that these factors do not include that the account is an IOLTA account. However, IOLTA participating institutions may voluntarily choose to pay higher rates.

c. **IOLTA account.** An IOLTA participating institution may establish an IOLTA account as, or convert an IOLTA account to, any of the following types of accounts, assuming the particular financial institution at that branch or main office location offers these account types to its non-IOLTA customers, and the particular IOLTA account meets the eligibility qualifications to be established as this type of account at the particular branch or main office location:

1. A business checking account with an automated or other automatic investment sweep feature into a daily financial institution repurchase agreement or open-end money market fund. A daily financial institution repurchase agreement must be invested in United States government securities. An open-end money market fund must consist solely of United States government securities or repurchase agreements fully collateralized by United States government securities, or both. In this par. c.1., "United States government securities" include securities of government-sponsored entities, such as, but not limited to, securities of, or backed by, the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation;

2. A checking account paying preferred interest rates, such as money market or indexed rates;

3. An interest-bearing checking account such as a negotiable order of withdrawal (NOW) account or business checking account with interest; and

4. Any other suitable interest-bearing or dividend-paying account offered by the institution to its non-IOLTA customers.

d. **Options for compliance.** An IOLTA participating institution may:

1. Establish the comparable product for qualifying IOLTA accounts, subject to the direction of the lawyer or law firm; or,

2. Pay the highest non-promotional interest rate or dividend, as defined in sub. (d)(4)b., less any allowable reasonable fees charged in connection with the comparable highest interest rate or dividend product, on the IOLTA checking account in lieu of actually establishing the comparable highest interest rate or dividend product.

e. **Paying rates above comparable rates.** An IOLTA participating institution may pay a set rate above its comparable rates on the IOLTA checking account negotiated with WisTAF that is fixed over a period of time set by WisTAF, such as 12 months.

(5) **Allowable reasonable fees on IOLTA accounts.**

a. Allowable reasonable fees on an IOLTA account are as follows:

1. Per check charges.

2. Per deposit charges.

3. Fees in lieu of minimum balance.

4. Sweep fees.

5. An IOLTA administrative fee approved by WisTAF.

6. Federal deposit insurance fees.

b. Allowable reasonable fees may be deducted from interest earned or dividends paid on an IOLTA account, provided that the fees are calculated in accordance with an IOLTA participating institution's standard practice for non-

IOLTA customers. Fees in excess of the interest earned or dividends paid on the IOLTA account for any month or quarter shall not be taken from interest or dividends of any other IOLTA accounts. No fees that are authorized under SCR 20:1.15(d)(5) shall be assessed against or deducted from the principal of any IOLTA account. All other fees are the responsibility of, and may be charged to, the lawyer or law firm maintaining the IOLTA account. IOLTA participating institutions may elect to waive any or all fees on IOLTA accounts.

(6) **Remittance and reporting requirements.** A lawyer or law firm shall direct the IOLTA participating institution at which the lawyer or law firm's IOLTA account is located to do all of the following, on at least a quarterly basis:

a. Remit to WisTAF the interest or dividends, less allowable reasonable fees as allowed under par. (5), if any, on the average monthly balance in the account or as otherwise computed in accordance with the IOLTA participating institution's standard accounting practice.

b. Provide to WisTAF a remittance report showing for each IOLTA account the name of the lawyer or law firm for whose IOLTA account the remittance is sent, the rate and type of interest or dividend applied, the amount of allowable reasonable fees deducted, if any, the average account balance for the period for which the report is made, and the amount of remittance attributable to each IOLTA account.

c. Provide to the depositing lawyer or law firm a remittance report in accordance with the participating institution's normal procedures for reporting account activity to depositors.

d. Respond to reasonable requests from WisTAF for information needed for purposes of confirming the accuracy of an IOLTA participating institution's certification.

(e) **Prompt notice and delivery of property.**

(1) **Notice and delivery.** Upon receiving funds or other property in which a client has an interest, or in which a lawyer has received notice that a 3rd party has an interest identified by a lien, court order, judgment, or contract, the lawyer shall promptly notify the client or 3rd party in writing. Except as stated in this rule or otherwise permitted by law or by agreement with the client, the lawyer shall promptly deliver to the client or 3rd party any funds or other property that the client or 3rd party is entitled to receive.

(2) **Accounting.** Upon final distribution of any trust property or upon request by the client or a 3rd party having an ownership interest in the property, a lawyer shall promptly render a full written accounting regarding the property.

(3) **Disputes regarding trust property.** When a lawyer and another person or a client and another person claim an ownership interest in trust property identified by a lien, court order, judgment, or contract, the lawyer shall

hold that property in trust until there is an accounting and severance of the interests. If a dispute arises regarding the division of the property, the lawyer shall hold the disputed portion in trust until the dispute is resolved. Disputes between the lawyer and a client are subject to the provisions of SCR 20:1.5(h).

(4) **Burden of proof.** A lawyer's failure to promptly deliver trust property to a client or 3rd party entitled to the trust property, promptly submit trust account records to the office of lawyer regulation or promptly provide an accounting of trust property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold trust property in trust, contrary to SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(f) **Security requirements and restricted transactions.**

(1) **Security of transactions.** A lawyer is responsible for the security of each transaction in the lawyer's trust account and shall not conduct or authorize transactions for which the lawyer does not have commercially reasonable security measures in place. A lawyer shall establish and maintain safeguards to assure that each disbursement from a trust account has been authorized by the lawyer and that each disbursement is made to the appropriate payee. ~~Only a lawyer admitted to practice law in this jurisdiction or a person under the supervision of a lawyer having responsibility under SCR 20:5.3 shall have signatory and transfer authority for a trust account.~~ Every check, draft, electronic transfer, or other withdrawal instrument or authorization shall be personally signed or, in the case of electronic, telephone, or wire transfer, directed by one or more lawyers authorized by the law firm or a person under the supervision of a lawyer having responsibility under SCR 20:5.3. A lawyer shall replace any and all funds that have been withdrawn from a trust account by a financial institution or card issuer, and reimburse the trust account for any shortfall or negative balance caused by a chargeback, surcharge, or ACH reversal within three business days of receiving actual notice that a chargeback, surcharge, or ACH reversal has been made against the trust account; and the lawyer shall reimburse the trust account for any chargeback, surcharge, or ACH reversal prior to accepting a new electronic deposit.

(2) **Prohibited transactions.**

a. Cash. No withdrawal of cash shall be made from a trust account or from a deposit to a trust account. No check shall be made payable to "Cash." No withdrawal shall be made from a trust account by automated teller or cash dispensing machine.

b. **Telephone transfers.** 1. Except as provided in SCR 20:1.15(f)(2)b.2., no deposits or disbursements shall be made to or from a pooled trust account by a telephone transfer of funds.

2. Wire transfers may be initiated by telephone, and telephone transfers may be made between non-pooled trust accounts that a lawyer maintains for a particular client.

~~c. **Electronic transfers by 3rd parties.** A lawyer shall not authorize a 3rd party to electronically withdraw funds from a trust account. A lawyer shall not authorize a 3rd party to deposit funds into the lawyer's trust account through a form of electronic deposit that allows the 3rd party making the deposit to withdraw the funds without the permission of the lawyer.~~

(3) omitted ~~**Electronic transactions.** A lawyer shall not make deposits to or disbursements from a trust account by way of an electronic transaction, except as provided in SCR 20:1.15(f)(3)a. through c.~~

~~a. **Remote Deposit.** A lawyer may make remote deposits to a trust account, provided that the lawyer keeps a record of the client or matter to which each remote deposit relates, and that the lawyer's financial institution maintains an image of the front and reverse of each remote deposit for a period of at least six years.~~

~~b. **E-Banking Trust Account.** A lawyer may accept funds paid by credit card, debit card, prepaid or other types of payment cards, and other electronic deposits, and may disburse funds by electronic transactions that are not prohibited by sub. (f)(2)c., provided that the lawyer does all of the following:~~

~~1. Maintains an IOLTA account, which shall be the primary IOLTA account, in which no electronic transactions shall be conducted other than those transferring funds from the primary IOLTA to the E-Banking Trust Account for purposes of making an electronic disbursement, or those transactions authorized by SCR 20:1.15(f)(3)a., (3)b.4.a., and (3)b.4.d.~~

~~2. Maintains a separate IOLTA account with commercially reasonable account security for electronic transactions, which shall be entitled: "E-Banking Trust Account."~~

~~3. Holds lawyer or law firm funds in the E-Banking Trust Account reasonably sufficient to cover monthly account fees and fees deducted from deposits and maintains a ledger for those account fees.~~

~~4. Transfers the gross amount of each deposit within three business days after the deposit is available for disbursement, and if necessary, adds funds belonging to the lawyer or law firm to cover any deduction of fees and surcharges relating to the deposit, in accordance with all of the following:~~

~~a. All advanced costs and advanced fees held in trust under SCR 20:1.5(f) shall be transferred to the primary IOLTA account by check or by electronic transaction.~~

~~b. Earned fees, cost reimbursements, and advanced fees that are subject to the requirements of SCR 20:1.5(g) shall be transferred to the business account by check or by electronic transaction.~~

~~c. Any funds that the client has directed be disbursed by electronic transfer shall be promptly disbursed from the E-Banking Trust Account by electronic transaction.~~

~~d. All funds received in trust other than funds identified in SCR 20:1.15(f)(3)b.4.a., b., and c. shall be transferred to the primary IOLTA account by check or by electronic transaction.~~

~~e. Except for funds identified in SCR 20:1.15(f)(3)b.4.a. and b., a lawyer or law firm shall not be prohibited from deducting electronic transfer fees or surcharges from the client's funds, provided the client has agreed in writing to accept the electronic payment after being advised of the anticipated fees and surcharges.~~

~~5. Identifies the client matter and the reason for disbursement on the memo line of each check used to disburse funds; records in the financial institution's electronic payment system the date, amount, payee, client matter, and reason for the disbursement for each electronic transaction; and makes no disbursements by credit card, debit card, prepaid or other types of payment cards, or any other electronic payment system that does not generate a record of the date, amount, payee, client matter, and reason for the disbursement in the financial institution's electronic payment system.~~

~~6. Replaces any and all funds that have been withdrawn from the E-Banking Trust Account by the financial institution or card issuer, and reimburses the account for any shortfall or negative balance caused by a chargeback, surcharge, or ACH reversal within three business days of receiving actual notice that a chargeback, surcharge, or ACH reversal has been made against the E-Banking Trust Account; and reimburses the E-Banking Trust Account for any chargeback, surcharge, or ACH reversal prior to accepting a new electronic deposit or transferring funds from the primary IOLTA to the E-Banking Trust Account for purposes of making an electronic disbursement.~~

~~c. **Alternative to E-Banking Trust Account.** A lawyer may deposit funds paid by credit card, debit card, prepaid or other types of payment cards, and other electronic deposits into a trust account, and may disburse funds from that trust account by electronic transactions that are not prohibited by sub. (f)(2)c., without establishing a separate E-Banking Trust Account, provided that all of the following conditions are met:~~

~~1. The lawyer or law firm maintains commercially reasonable account security for electronic transactions.~~

~~2. The lawyer or law firm maintains a bond or crime insurance policy in an amount sufficient to cover the maximum daily account balance during the prior calendar year.~~

~~3. The lawyer or law firm arranges for all chargebacks, ACH reversals, monthly account fees, and fees deducted from deposits to be deducted from the lawyer's or law firm's business account; or the lawyer or law firm replaces any and all funds that have been withdrawn from the trust account by the financial institution or card issuer within three business days of receiving actual notice that a chargeback, surcharge, or ACH reversal has been made against the trust account; and the lawyer or law firm reimburses the account for any shortfall or negative balance caused by a chargeback, surcharge, or ACH reversal. The lawyer shall reimburse the trust account for any chargeback, surcharge, or ACH reversal prior to disbursing funds from the trust account.~~

~~4. The lawyer or law firm identifies the client matter and the reason for disbursement on the memo line of each check used to disburse funds; records in the financial institution's electronic payment system the date, amount, payee, client matter, and reason for the disbursement for each electronic transaction; and makes no disbursements by credit card, debit card, prepaid or other types of payment cards, or any other electronic payment system that does not generate a record of the date, amount, payee, client matter, and reason for the disbursement in the financial institution's electronic payment system.~~

(4) **Availability of funds for disbursement.**

a. **Standard for trust account transactions.** A lawyer shall not disburse funds from any trust account unless the deposit from which those funds will be disbursed has cleared, and the funds are available for disbursement.

b. **Exception: Real estate transactions.** In closing a real estate transaction, a lawyer's disbursement of closing proceeds from funds that are received on the date of the closing, but that have not yet cleared, shall not violate sub. (f)(4)a. provided that the lawyer complies with sub. (f)(4)c., and that the closing proceeds are deposited no later than the first business day following the closing and are comprised of any of the following types of funds:

1. A cashier's check, teller's check, money order, official check or electronic transfer of funds, issued or transferred by a financial institution insured by the FDIC or a comparable agency of the federal or state government.

2. A check drawn on the trust account of any lawyer or real estate broker licensed under the laws of any state.

3. A check issued by the state of Wisconsin, the United States, or a political subdivision of the state of Wisconsin or the United States.

4. A check drawn on the account of or issued by a lender approved by the Federal Department of Housing and Urban Development as either a supervised or a nonsupervised mortgagee as defined in 24 C.F.R. § 202.2.

5. A check from a title insurance company licensed in Wisconsin, or from a title insurance agent of the title insurance company, if the title insurance company has guaranteed the funds of that title insurance agent.

6. A non-profit organization check in an amount not exceeding $5000 per closing if the lawyer has reasonable and prudent grounds to believe that the deposit will be irrevocably credited to the trust account.

7. A personal check or checks in an aggregate amount not exceeding $5000 per closing if the lawyer has reasonable and prudent grounds to believe that the deposit will be irrevocably credited to the trust account.

c. **Uncollected funds.** Without limiting the rights of the lawyer against any person, it is the responsibility of the disbursing lawyer to reimburse the trust account for any funds described in sub. (f)(4)b. that are not collected and for any fees, charges, and interest assessed by the financial institution on account of the funds being disbursed before the related deposit has cleared and the funds are available for disbursement. The lawyer shall maintain a subsidiary ledger for funds of the lawyer that are deposited in the trust account to reimburse the account for uncollected funds and to accommodate any fees, charges, and interest.

d. **Exception: Collection trust accounts.** When handling collection work for a client and maintaining a separate trust account to hold funds collected on behalf of that client, a lawyer's disbursement to the client of collection proceeds that have not yet cleared does not violate sub. (f)(4)a. so long as those collection proceeds have been deposited prior to the disbursement.

(g) **Record keeping requirements for all trust accounts.**

(1) **Record retention.** A lawyer shall maintain and preserve complete records of trust account funds, all deposits and disbursements, and other trust property and shall preserve those records for at least six years after the date of termination of the representation. Electronic records shall be backed up by an appropriate storage device. The office of lawyer regulation shall publish guidelines for trust account record keeping.

(2) **Record production.** All trust account records have public aspects related to a lawyer's fitness to practice. Upon request of the office of lawyer regulation, or upon direction of the supreme court, the records shall be submitted to the office of lawyer regulation for its inspection, audit, use, and evidence under any conditions to protect the privilege of clients that the court may provide. The records, or an audit of the records, shall be produced at any disciplinary proceeding involving the lawyer, whenever material.

(3) **Burden of proof.** A lawyer's failure to promptly deliver trust property to a client or 3rd party entitled to that trust property, promptly submit trust account records to the office of lawyer regulation, or promptly provide an accounting of trust property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold trust property in trust, contrary to SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(h) **Dishonored payment notification (Overdraft notices).** All draft trust accounts, and any draft fiduciary account that is not subject to an alternative protection under sub. (k)(10), are subject to the following provisions on dishonored payment notification:

(1) **Overdraft reporting agreement.** A lawyer shall maintain draft trust and fiduciary accounts only in a financial institution that has agreed to provide an overdraft report to the office of lawyer regulation under par. (2). A lawyer or law firm shall notify the financial institution at the time a trust account or fiduciary account is established that the account is subject to this subsection.

(2) **Overdraft report.** In the event any properly payable instrument or electronic transaction is presented against or made from a lawyer trust or fiduciary account containing insufficient funds, whether or not the instrument or electronic transaction is honored, the financial institution shall report the overdraft to the office of lawyer regulation.

(3) **Content of report.** All reports made by a financial institution under this subsection shall be substantially in the following form:

a. In the case of a dishonored instrument or electronic transaction, the report shall be identical to an overdraft notice customarily forwarded to the depositor or investor, accompanied by the dishonored instrument or electronic transaction, if a copy is normally provided to the depositor or investor.

b. In the case of instruments or electronic transactions that are presented against insufficient funds and are honored, the report shall identify the financial institution involved, the lawyer or law firm, the account, the date on which the instrument or electronic transaction is paid, and the amount of overdraft created by the payment.

(4) **Timing of report.** A report made under this subsection shall be made simultaneously with the overdraft notice given to the depositor or investor.

(5) **Confidentiality of report.** A report made by a financial institution under this subsection shall be subject to SCR 22.40, Confidentiality.

(6) **Withdrawal of report by financial institution.** The office of lawyer regulation shall hold each overdraft report for 10 business days to enable the financial institution to withdraw a report provided by inadvertence or mistake.

The deposit of additional funds by the lawyer or law firm shall not constitute reason for withdrawing an overdraft report.

(7) **Lawyer compliance.** Every lawyer shall comply with the reporting and production requirements of this subsection, including filing of an overdraft notification agreement for each IOLTA account, each draft-type trust account and each draft-type fiduciary account that is not subject to an alternative protection under sub. (k)(10).

(8) **Service charges.** A financial institution may charge a lawyer or law firm for the reasonable costs of producing the reports and records required by this rule.

(9) **Immunity of financial institution.** This subsection does not create a claim against a financial institution or its officers, directors, employees, or agents for failure to provide a trust account overdraft report or for compliance with this subsection.

(i) **Trust account certificate and acknowledgements.**

(1) **Annual requirement.** A member of the state bar of Wisconsin shall file with the state bar of Wisconsin annually, with payment of the member's state bar dues or upon any other date approved by the supreme court, a certificate as to whether the member is engaged in the practice of law in Wisconsin. If the member is practicing law, the member shall certify the name, address, and telephone number of each financial institution in which the member maintains a trust account, a fiduciary account, or a safe deposit box. The state bar shall supply to each member, with the annual dues statement, or at any other time directed by the supreme court, a form on which this certification shall be made.

(2) **Certification by law firm.** A law firm shall file one certificate of accounts on behalf of the lawyers in the firm who are required to file a certificate under par. (1).

(3) **Compliance with SCR 20:1.15.** Each state bar member shall acknowledge on the annual dues statement, or another form approved by the supreme court, that the member is aware of all of the following requirements of this rule:

a. That SCR 20:1.15 establishes fiduciary obligations for trust and fiduciary property that comes into the member's possession, including the duty to hold that property in trust separate from the member's own property, to safeguard that property, to maintain complete records of that property, to account fully for that property, and to promptly deliver that property to the owner.

b. That SCR 20:1.15 requires a member to maintain each IOLTA account in an IOLTA participating institution, to file an overdraft agreement with the office of lawyer regulation for each account that is subject to SCR 20:1.15(h)

and (k)(10), and to annually report all trust and fiduciary accounts to the state bar of Wisconsin that are not subject to an exception under SCR 20:1.15(m).

(4) **Suspension for non-compliance.** A state bar member who fails to file the acknowledgements required by sub. (i)(3) or a trust account certificate, unless a certificate of accounts is filed by the law firm, is subject to the automatic suspension of the member's membership in the state bar in the same manner provided in SCR 10.03(6) for nonpayment of dues.

(j) **Multi-jurisdictional practice.** If a lawyer also licensed in another state is entrusted with funds or property in connection with a representation in the other state, the provisions of this rule shall not supersede the applicable rules of the other state.

(k) **Fiduciary property.**

(1) **Segregation of fiduciary property.** A lawyer shall hold in trust, separate from the lawyer's own funds or property, those funds or that property of clients or 3rd parties that are in the lawyer's possession when acting in a fiduciary capacity.

(2) **Accounting.** Upon final distribution of any fiduciary property or upon request by a client or a 3rd party having an ownership interest in the property, a lawyer shall promptly render a full written accounting regarding the property.

(3) **Fiduciary accounts.** A lawyer shall deposit all fiduciary funds specified in par. (1) in any of the following:

a. A separate interest-bearing or dividend-paying fiduciary account on which interest or dividends shall be paid to the fiduciary entity or its beneficiary or beneficiaries, less any taxes and expenses of the fiduciary entity.

b. A pooled interest-bearing or dividend-paying fiduciary account with sub-accounting by the financial institution, the lawyer, or the law firm that will provide for computation of interest or dividends earned by each fiduciary entity's funds and the proportionate allocation of the interest or dividends to each of the fiduciary entities, less any taxes and expenses of the fiduciary entity.

c. An income-generating investment vehicle, on which income shall be paid to the fiduciary entity or its beneficiary or beneficiaries, less any taxes and expenses of the fiduciary entity.

d. An income-generating investment vehicle selected by the lawyer and approved by a court for guardianship funds if the lawyer serves as guardian for a ward under Ch. 54 and subject to Ch. 881, Wis. Stats.

e. An income-generating investment vehicle selected by the lawyer to protect and maximize the return on funds in a bankruptcy estate, which investment vehicle is approved by the bankruptcy trustee, by a bankruptcy court order, or otherwise consistent with 11 U.S.C. § 345.

f. A draft account or other account that does not bear interest or pay dividends when, in the lawyer's professional judgment, placement in the account is consistent with the needs and purposes of the fiduciary entity or its beneficiary or beneficiaries.

(4) **Location.** Each fiduciary account shall be maintained in a financial institution as provided by the written authorization of the client, the governing trust instrument, organizational by-laws, an order of a court, or, absent such direction, in a financial institution that, in the lawyer's professional judgment, will best serve the needs and purposes of the client or 3rd party for whom the lawyer serves as fiduciary. If a lawyer acts in good faith in making this determination, the lawyer is not subject to any charge of ethical impropriety or other breach of the Rules of Professional Conduct. When the fiduciary property is held in a draft account and the account is at a financial institution that is not located in Wisconsin or authorized by state or federal law to do business in Wisconsin, the lawyer shall comply with the requirements of sub. (k)(10)b., c., d., e., or f.

(5) **Cash transactions prohibited.~~Prohibited transactions.~~**

~~a. **Cash.**~~ No withdrawal of cash shall be made from a fiduciary account or from a deposit to a fiduciary account. No check shall be made payable to "Cash." No withdrawal shall be made from a fiduciary account by automated teller or cash dispensing machine.

~~b. **Card transactions.** A lawyer shall not authorize transactions by way of credit, debit, prepaid or other types of payment cards to or from a fiduciary account.~~

(6) **Availability of funds for disbursement.** A lawyer shall not disburse funds from a fiduciary account unless the deposit from which those funds will be disbursed has cleared and the funds are available for disbursement. The exception for real estate transactions in sub. (f)(4)b. shall apply to fiduciary accounts.

(7) **Record retention.** A lawyer shall maintain and preserve complete records of fiduciary account funds, all deposits and disbursements, and other fiduciary property and shall preserve those records for the six most recent years during which the lawyer served as a fiduciary and shall preserve at a minimum, a summary accounting of all fiduciary funds and property for prior years during which the lawyer served as a fiduciary. After the termination of the fiduciary relationship, the lawyer shall preserve the records required by this paragraph for at least six years. Electronic records shall be backed up by an appropriate storage device. The office of lawyer regulation shall publish guidelines for fiduciary account record keeping.

(8) **Record production.** All fiduciary account records have public aspects related to a lawyer's fitness to practice. Upon request of the office of lawyer regulation, or upon direction of the supreme court, the records shall be submitted to the office of lawyer regulation for its inspection, audit, use, and evidence under any conditions to protect the privilege of clients that the court may provide. The records, or an audit of the records, shall be produced at any disciplinary proceeding involving the lawyer, whenever material.

(9) **Burden of proof.** A lawyer's failure to promptly submit fiduciary account records to the office of lawyer regulation or promptly provide an accounting of fiduciary property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold fiduciary property in trust, contrary to SCR 20:1.15(k)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(10) **Dishonored payment notification or alternative protection.** A lawyer who holds fiduciary property in a draft account from which funds are disbursed through a properly payable instrument or electronic transaction shall take any of the following actions:

a. Comply with the requirements of sub. (h) relating to dishonored payment notification (overdraft notices).

b. Have the account independently audited by a certified public accountant on at least an annual basis.

c. Hold the funds in a draft account, which requires the approval of a co-trustee, co-agent, co-guardian, or co-personal representative before funds may be disbursed from the account.

d. Require and document the approval of two people from a group consisting of a lawyer or a member or employee of the lawyer's law firm before funds may be disbursed from the account.

e. In the case of an estate or trust, provide an accounting of the administration at least annually to all beneficiaries currently eligible to receive income distributions.

f. In the case of a guardianship proceeding in which annual financial accountings must be reviewed by a court, timely file those annual financial accountings with the court.

(11) **Fiduciary account certificate and acknowledgements.** Funds held by a lawyer in a fiduciary account are subject to the requirements of sub. (i).

(m) **Exceptions to this section.** This rule does not apply in any of the following instances in which a lawyer is acting in a fiduciary capacity:

(1) The lawyer is serving as a bankruptcy trustee, subject to the oversight and accounting requirements of the bankruptcy court or the office of U.S. Trustee.

(2) The lawyer is serving as an assignee or receiver under the provisions of Ch. 128, Wis. Stats.

(3) The property held by the lawyer when acting in a fiduciary capacity is property held for the benefit of an immediate family member of the lawyer.

(4) The lawyer is serving in a fiduciary capacity for a civic, fraternal, or non-profit organization that is not a client and has other officers or directors participating in the governance of the organization.

(5) The lawyer is acting in the course of the lawyer's employment by an employer not itself engaged in the practice of law, provided that the lawyer's employment is not ancillary to the lawyer's practice of law.

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A lawyer must hold the property of others with the care required of a professional fiduciary. All property that is the property of clients or 3rd parties must be kept separate from the lawyer's business and personal property and, if monies, in one or more trust or fiduciary accounts. Lawyers have duties to keep clear, distinct, and accurate records of all trust transactions, and to be able always to make a full accounting. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(a)(2) Electronic transaction.

The types of electronic transactions are developing. For examples of current types of electronic transactions, see the record-keeping guidelines published by the office of lawyer regulation.

SCR 20:1.15(b)(1) Separate accounts.

With respect to probate matters, a lawyer's role may be to serve in a fiduciary capacity as the personal representative, to represent an estate's personal representative, or to act as both personal representative and attorney for an estate. SCR 20:1.15(k) applies to funds and property which a lawyer receives, holds, and distributes while serving in the fiduciary role of personal representative. Such funds and property may include, but are not limited to, bank and investment accounts, stocks, and bonds. SCRs 20:1.15(b)-(i) apply to funds and property which a lawyer receives, holds, and distributes in connection with the representation of a client/personal representative or an estate. Such funds include, but are not limited to, advanced legal fees and advanced costs. If a lawyer acts in good faith to safeguard funds and property received in connection with a probate matter, the lawyer is not subject to any charge of ethical impropriety for holding what may be determined to be fiduciary funds in a segregated trust account or in an IOLTA account for a limited period of time, or for holding what may be determined to be trust funds in a fiduciary account.

SCR 20:1.15(b)(5) Insurance and safekeeping requirements.

Pursuant to SCR 20:1.15(b)(5), trust accounts are required to be held in financial or IOLTA participating institutions that are insured by the FDIC, the NCUSIF, the SIPC or any other investment institution financial guaranty insurance. However, since federal law dictates the amount of insurance coverage available from the FDIC, the NCUSIF, and the SIPC, funds in excess of those limits are not insured. Federal law also limits the types of losses that are covered by SIPC insurance. Consequently, the purpose of the insurance and safety requirements is not to guarantee that all funds are adequately insured. Rather, it is to assure that trust funds are held in reputable financial or IOLTA participating institutions and that the funds are eligible for the insurance that is available. The exceptions to the SCR 20:1.15(b)(5) requirement relate to trust property other than funds and to IOLTA accounts that are subject to the safety requirements of SCR 20:1.15(d)(3)b. and c.

SCR 20:1.15(b)(6) Advanced legal fee and costs.

While the general rule is that a lawyer must hold trust property separate from the lawyer's own property, SCR 20:1.15(b)(6) allows very limited short-term temporary commingling when accepting an electronic payment for advanced fees or costs. Considering the expense of electronic payment processing providers, this allows a lawyer to maintain only one electronic payment processing provider service and to have it connected to just one bank account, e.g. the law firm's operating account. The lawyer may accept electronic payments for advanced fees or costs to that account without violating SCR 20:1.15(a), so long as any payments for advanced fees or costs are promptly transferred to the lawyer's trust account within two business days.

SCR 20:1.15(d)(3) Safekeeping requirements.

See comment to SCR 20:1.15(b)(5).

SCR 20:1.15(d)(4) Income requirements.

Pursuant to SCR 20:1.15(d)(4), IOLTA accounts shall bear the highest non-promotional interest rate or dividend that is generally available to non-IOLTA customers at the same branch or main office location when the IOLTA account meets or exceeds the same eligibility qualifications, if any, including a minimum balance. Investment products, including repurchase agreements and shares of mutual funds, are neither deposits nor federally or FDIC-insured. An investment in a repurchase agreement or money market fund may involve investment risk including possible loss of the principal amount invested. The rule, however, provides safeguards to minimize any potential risk by limiting investment products to repurchase agreements and open-end money market funds that invest in United States government securities only.

SCR 20:1.15(e) Prompt notice and delivery of property.

Third parties, such as a client's creditors, may have just claims against funds or other property in a lawyer's custody. A lawyer may have a duty under applicable law, including SCR 20:1.15(e), to protect such 3rd-party claims against wrongful interference by the client, and accordingly, may refuse to surrender the property to the client. However, a lawyer should not unilaterally assume to arbitrate a dispute between the client and the 3rd party. If a lawyer holds property belonging to one person and a second person has a contractual or similar claim against that person but does not claim to own the property or have a security interest in it, the lawyer is free to deliver the property to the person to whom it belongs.

SCR 20:1.15(e)(4) Burden of proof.

A lawyer's failure to comply with the delivery requirements of SCR 20:1.15(e)(1) or the accounting requirements of SCR 20:1.15(e)(2) will result in a presumption that the lawyer has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(f)(1) Security of transactions.

SCR 20:1.15(f)(1) takes into account the modern banking and payments industry, allowing for electronic transfers to and from the trust account, so long as such transfers are authorized in advance by a lawyer in the law firm or a person under a lawyer's direct supervision. Should there be any chargeback, surcharge, or ACH reversal of an electronic payment to the trust account, the lawyer is responsible for replacing any and all such funds within three business days of actual notice of the chargeback, surcharge, or ACH reversal, and the lawyer must reimburse the account prior to accepting any additional electronic deposits.

Approval of disbursements

This rule requires the signature of a lawyer, or a person under the lawyer's direct supervision, on all checks issued from a firm trust account and also requires a lawyer's authorization for all electronic disbursements from a firm trust account. Written confirmation of authorization for electronic disbursements should be maintained as part of complete trust account records.

Costs associated with electronic payments

Electronic payment systems, such as credit cards, routinely impose charges on vendors when a customer pays for goods or services. That charge may be deducted directly from the customer's payment. Vendors who accept credit cards routinely credit the customer with the full amount of the payment and absorb the charges. Before holding a client responsible for these charges, a lawyer should disclose this practice to the client in advance, and assure that the client understands and consents to the charges. This disclosure should be in writing if necessary to comply with SCR 20:1.5(b). In addition, the lawyer should ensure that holding the client responsible for transaction costs does not violate the terms of service of the payment system provider or other law.

~~**SCR 20:1.15(f)(2)c. Electronic transfers by 3rd parties.**~~

~~Many forms of electronic deposit allow the transferor to remove the funds without the consent of the account holder. A lawyer must not only be aware of the financial institution's policy but also federal regulations pertaining to the specific form of electronic deposit, and must ensure that the transferor is prohibited from withdrawing deposited funds without the lawyer's consent.~~

~~**SCR 20:1.15(f)(3)a. Remote deposit.**~~

~~A remote deposit is an electronic deposit of a paper check to a lawyer's trust account. Subject to a lawyer's compliance with the requirements of this subsection, such transactions~~

~~are permitted in an IOLTA account that is not an E-Banking IOLTA account. Unlike other types of electronic transactions, remote deposits can be traced to images of the front and reverse of the deposited check, which are retained for at least six years by the lawyer's financial institution, pursuant to banking regulations. This exception was established to facilitate deposits to an IOLTA account of a lawyer who does not utilize multiple types of electronic transactions, making the expense relating to an E-Banking IOLTA account unnecessary. Remote deposits may also be made to a non-pooled account for a particular client, subject to those same requirements.~~

~~**SCR 20:1.15(f)(3)b. Exception: E-Banking Trust Account.**~~

~~Financial institutions, as credit card issuers, routinely impose charges on vendors when a customer pays for goods or services with a credit card. That charge is deducted directly from the customer's payment. Vendors who accept credit cards routinely credit the customer with the full amount of the payment and absorb the charges. Before holding a client responsible for these charges, a lawyer needs to disclose this practice to the client in advance, and assure that the client understands and consents to the charges. In addition, the lawyer needs to investigate the following concerns before accepting payments by credit card:~~

~~1. **Does the credit card issuer prohibit a lawyer/vendor from requiring the customer to pay the charge?** If a lawyer intends to credit the client for anything less than the full amount of the credit card payment, the lawyer needs to assure that this practice is not prohibited by the credit card issuer's regulations and/or by the agreement between the lawyer and the credit card issuer. Entering into an agreement with a credit card issuer with the intent to violate this type of requirement may constitute conduct involving dishonesty, fraud, or deceit, in violation of SCR 20:8.4(c).~~

~~2. **Does the credit card issuer require services to be rendered before a credit card payment for legal fees is accepted?** If a lawyer intends to accept fee advances by credit card, the lawyer needs to assure that fee advances are not prohibited by the credit card issuer's regulations and/or by the agreement between the lawyer and the credit card issuer. Entering into an agreement with a credit card issuer with the intent to violate this type of requirement may constitute conduct involving dishonesty, fraud, or deceit, in violation of SCR 20:8.4(c).~~

~~3. **By requiring clients to pay the credit card charges, is the lawyer required to make certain specific disclosures to such clients and offer cash discounts to all clients?** If a lawyer intends to require clients to pay credit card charges, the lawyer needs to assure that the lawyer complies with all state and federal laws relating to such transactions, including, but not limited to, Regulation Z of the Truth in Lending Act, 12 C.F.R. § 206.~~

~~**SCR 20:1.15(f)(3)c. Alternative to E-Banking Trust Account.**~~

~~As an alternative to establishing an E-Banking Trust Account for the purpose of making electronic deposits and disbursements, a lawyer may make electronic deposits to and disbursements from an IOLTA account when additional protections are in place. This alternative may reduce the expense of maintaining two accounts. On the other hand, the alternative requires that the lawyer prevent the electronic withdrawal of funds from the IOLTA account that could occur through chargebacks or reversals against a credit card deposit, or other electronic withdrawals. Specifically, the lawyer must either establish agreements with the lawyer's financial institution and with payment providers to deduct fees, surcharges, and chargebacks from the law firm's business account or reimburse the account~~

~~for such deductions with funds belonging to the lawyer or law firm within three business days after receiving notice of the deductions. In addition, the lawyer must establish an agreement with the financial institution to block debits from the IOLTA account.~~

SCR 20:1.15(f)(4)b. Exception: Real estate transactions.

SCR 20:1.15(f)(4)b. establishes an exception to the requirement that a lawyer only disburse funds that are available for disbursement, i.e., funds that have been credited to the account. This exception was created in recognition of the fact that real estate transactions in Wisconsin require a simultaneous exchange of funds. However, even under this exception, the funds from which a lawyer disburses the proceeds of the real estate transaction, i.e., the lender's check, draft, wire transfer, etc., must be deposited no later than the first business day following the date of the closing. In refinancing transactions, the lender's funds must be deposited as soon as possible, but no later than the first business day after the loan proceeds are distributed. Proceeds are generally distributed three days after the closing date.

SCR 20:1.15(g)(2) Record production.

The duty of the lawyer to produce client trust account records for inspection under SCR 20:1.15(g)(2) is a specific exception to the lawyer's responsibility to maintain the confidentiality of the client's information as required by SCR 20:1.6.

SCR 20:1.15(g)(3) Burden of proof.

A lawyer's failure to comply with the record production requirements of SCR 20:1.15(g)(2) or to provide an accounting for trust property will result in a presumption that the lawyer has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(j) Multi-jurisdictional practice.

This rule does not prohibit a lawyer whose principal office is in another jurisdiction and who permissibly represents clients in Wisconsin matters from using a trust account for Wisconsin matters that is compliant with the rules of the other jurisdiction.

SCR 20:1.15(k)(1) Segregation of fiduciary property.

See comment to SCR 20:1.15(b)(1).

SCR 20:1.15(k)(9) Burden of proof.

A lawyer's failure to comply with the record production requirements of SCR 20:1.15(k)(8) or to provide an accounting for fiduciary property will result in a presumption that the lawyer has failed to hold fiduciary property in trust, contrary to SCR 20:1.15(k)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15 Safekeeping property; trust accounts and fiduciary accounts.

(a) **Definitions.**

In this section:

(1) "Draft account" means an account upon which funds are withdrawn through a properly payable instrument or an electronic transaction.

(2) "Electronic transaction" means a paperless transfer of funds to or from a trust or fiduciary account. Electronic transactions do not include transfers initiated by voice or automated teller or cash dispensing machines.

(3) "Fiduciary" means an agent, attorney-in-fact, conservator, guardian, personal representative, special administrator, trustee, or other position requiring the lawyer to safeguard the property of a client or 3rd party.

(4) "Fiduciary account" means an account in which the lawyer deposits fiduciary property.

(5) "Fiduciary property" means funds or property of a client or 3rd party that is in a lawyer's possession in a fiduciary capacity. Fiduciary property includes, but is not limited to, property held as agent, attorney-in-fact, conservator, guardian, personal representative, special administrator, or trustee, subject to the exceptions identified in sub. (m).

(6) "Financial institution" means a bank, savings bank, trust company, credit union, savings and loan association, or investment institution, including a brokerage house.

(7) "Immediate family member" means the lawyer's spouse, registered domestic partner, child, stepchild, grandchild, sibling, parent, stepparent, grandparent, aunt, uncle, niece, or nephew.

(8) "Interest on Lawyer Trust Account or 'IOLTA account'" means a pooled interest-bearing or dividend-paying draft trust account, separate from the lawyer's business and personal accounts, which is maintained at an IOLTA participating institution. Typical funds that would be placed in an IOLTA account include earnest monies, loan proceeds, settlement proceeds, collection proceeds, cost advances, and advanced payment of fees that have not yet been earned. An IOLTA account is subject to the provisions of the SCR Chapter 13 and the trust account provisions of subs. (a) to (i), including the IOLTA account provisions of subs. (c) and (d).

(9) "IOLTA participating institution" means a financial institution that voluntarily offers IOLTA accounts and certifies to WisTAF annually that it meets the IOLTA account requirements of sub. (d).

(10) "Properly payable instrument" means an instrument that, if presented in the normal course of business, is in a form requiring payment

pursuant to the laws of this state.

(11) "Trust account" means an account in which the lawyer deposits trust property.

(12) "Trust property" means funds or property of clients or 3rd parties, which is not fiduciary property, that is in the lawyer's possession in connection with a representation.

(13) "WisTAF" means the Wisconsin Trust Account Foundation, Inc.

(b) **Segregation and safekeeping of trust property.**

(1) **Separate account.** A lawyer shall hold in trust, separate from the lawyer's own property, that property of clients and 3rd parties that is in the lawyer's possession in connection with a representation. All funds of clients and 3rd parties paid to a lawyer or law firm in connection with a representation shall be deposited in one or more identifiable trust accounts. Except as provided by sub. (e), a lawyer shall not hold any funds in a trust account that are unrelated to a representation.

(2) **Identification and location of account.** Each trust account shall be clearly designated as a "Client Account," a "Trust Account," or words of similar import. The account shall be identified as such on all account records, including signature cards, monthly statements, checks, and deposit slips. An acronym, such as "IOLTA," "IOTA," or "LTAB," without further elaboration, does not clearly designate the account as a client account or trust account. Each trust account shall be maintained in a financial institution that is authorized by federal or state law to do business in Wisconsin and that is located in Wisconsin or has a branch office located in Wisconsin and which agrees to comply with the overdraft notice requirements of sub. (h). A trust account may be maintained at a financial institution located in the jurisdiction where the lawyer principally practices law if that jurisdiction has an overdraft notification requirement.

(3) **Lawyer funds.** No funds belonging to a lawyer or law firm, except funds reasonably sufficient to pay monthly account service charges, may be deposited or retained in a trust account. Each lawyer or law firm that receives trust funds shall maintain at least one draft account, other than the trust account, for funds received and disbursed other than in a trust capacity, which shall be entitled "Business Account," "Office Account," "Operating Account," or words of similar import.

(4) **Trust property other than funds.** Unless a client otherwise directs in writing, a lawyer shall keep securities in bearer form in a safe deposit box at a financial institution authorized to do business in Wisconsin. The safe deposit box shall be clearly designated as a "Client Account" or "Trust Account." The

lawyer shall clearly identify and appropriately safeguard other property of a client or 3rd party.

(5) **Insurance and safekeeping requirements.** Each trust account shall be maintained at a financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), the Securities Investor Protection Corporation (SIPC), or any other investment institution financial guaranty insurance. IOLTA accounts shall also comply with the requirements of sub. (d)(3). Except as provided in subs. (b)(4) and (d)(3)b. and c., trust property shall be held in an account in which each individual owner's funds are eligible for insurance.

(6) **Advanced legal fees and costs.** A lawyer shall deposit into a client trust account legal fees and expenses that have been paid in advance, to be withdrawn by the lawyer only as fees are earned or expenses incurred, except as follows:

a. The lawyer complies with the requirements of SCR 20:1.5(g).

b. The lawyer may accept credit card payments or electronic funds transfer payments of advanced legal fees and expenses as temporary deposits in a non-trust account, so long as such funds are transferred promptly, and no later than two business days following receipt, into a client trust account. However, except as provided by SCR 20:1.5(g), a lawyer shall not accept any advance payment into a non-trust account if the lawyer has any reason to suspect that the funds will not be successfully transferred into the client trust account within two business day of receipt.

(c) **Types of trust accounts.**

(1) **IOLTA accounts.** A lawyer or law firm who receives client or 3rd-party funds that the lawyer or law firm determines to be nominal in amount or that are expected to be held for a short period of time such that the funds cannot earn income for the benefit of the client or 3rd party in excess of the costs to secure that income, shall maintain a pooled interest-bearing or dividend-paying draft trust account in an IOLTA participating institution.

(2) **Non-IOLTA accounts.** A lawyer or law firm who receives client or 3rd-party funds that the lawyer or law firm determines to be capable of earning income for the benefit of the client or 3rd party shall maintain an interest-bearing or dividend-paying non-IOLTA trust account. A non-IOLTA trust account shall be established as any of the following:

a. A separate interest-bearing or dividend-paying trust account maintained for the particular client or 3rd party, the interest or dividends on which shall be paid to the client or 3rd party, less any transaction costs.

b. A pooled interest-bearing or dividend-paying trust account with sub-accounting by the financial institution, the lawyer, or the law firm that will

provide for computation of interest or dividends earned by each client's or 3rd party's funds and the payment of the interest or dividends to the client or 3rd party, less any transaction costs.

c. An income-generating investment vehicle selected by the client and designated in specific written instructions from the client or authorized by a court or other tribunal, on which income shall be paid to the client or 3rd party or as directed by the court or other tribunal, less any transaction costs.

d. An income-generating investment vehicle selected by the lawyer to protect and maximize the return on funds in a bankruptcy estate, which investment vehicle is approved by the bankruptcy trustee or by a bankruptcy court order, or otherwise consistent with 11 U.S.C. § 345.

e. A draft account or other account that does not bear interest or pay dividends because it holds funds the lawyer has determined are not eligible for deposit in an IOLTA account because they are neither nominal in amount nor expected to be held for a short term such that the funds cannot earn income for the client or 3rd party in excess of the costs to secure the income, provided that the account has been designated in specific written instructions from the client or 3rd party.

(3) **Selection of account.** In deciding whether to use the account specified in par. (1) or an account or investment vehicle specified in par. (2), a lawyer shall determine, at the time of the deposit, whether the client or 3rd-party funds could be utilized to provide a positive net return to the client or 3rd party by taking into consideration all of the following:

a. The amount of interest, dividends, or other income that the funds would earn or pay during the period the funds are expected to be on deposit.

b. The cost of establishing and administering a non-IOLTA trust account, including the cost of the lawyer's services and the cost of preparing any tax reports required for income accruing to a client's or 3rd party's benefit.

c. The capability of the financial institution, lawyer, or law firm to calculate and pay interest, dividends, or other income to individual clients or 3rd parties.

d. Any other circumstance that affects the ability of the client's or 3rd party's funds to earn income in excess of the costs to secure that income for the client or 3rd party.

(4) **Professional judgment.** The determination whether funds to be invested could be utilized to provide a positive net return to the client or 3rd party rests in the sound judgment of the lawyer or law firm. If a lawyer acts in good faith in making this determination, the lawyer is not subject to any charge of ethical impropriety or other breach of the Rules of Professional Conduct.

(d) **Interest on Lawyer Trust Account (IOLTA) requirements.**

(1) **Location.** An IOLTA account shall be maintained only at an IOLTA participating institution.

(2) **Certification by IOLTA participating institutions.**

a. Each IOLTA participating institution shall certify to WisTAF annually that the financial institution meets the requirements of sub. (d)(3) to (6) for IOLTA accounts and that it reports overdrafts on draft trust accounts and draft fiduciary accounts of lawyers and law firms to the office of lawyer regulation, pursuant to the institution's agreements with those lawyers and law firms. WisTAF shall by rule adopted under SCR 13.03(1) establish the date by which IOLTA participating institutions shall certify their compliance.

b. WisTAF shall confirm annually, by a date established by WisTAF by rule adopted under SCR 13.03(1), the accuracy of a financial institution's certification under sub. (d)(2)a. by reviewing one or more of the following:

1. The IOLTA comparability rate information form submitted by the financial institution to WisTAF.

2. Rate and product information published by the financial institution.

3. Other publicly or commercially available information regarding products and interest rates available at the financial institution.

c. WisTAF shall publish annually, no later than the date on which the state bar mails annual dues statements to members of the bar, a list of all financial institutions that have certified, and have been confirmed by WisTAF as IOLTA participating institutions. WisTAF shall update the published list located on its website to add newly confirmed IOLTA participating institutions and to remove financial institutions that WisTAF cannot confirm as IOLTA participating institutions.

d. Prior to removing any financial institution from the list of IOLTA participating institutions or failing to include any financial institution on the list of IOLTA participating institutions, WisTAF shall first provide the financial institution with notice and sufficient time to respond. In the event a financial institution is removed from the list of IOLTA participating institutions, WisTAF shall notify the office of lawyer regulation and provide that office with a list of the lawyers and law firms maintaining IOLTA accounts at that financial institution. The office of lawyer regulation shall notify those lawyers and law firms of the removal of the financial institution from the list, and provide time for those lawyers and law firms to move their IOLTA accounts to an IOLTA participating institution.

e. Lawyers and law firms may rely on the most recently published list of IOLTA participating institutions for purposes of compliance with sub. (c)(1), except when the office of lawyer regulation notifies the lawyer or law firm of removal, in accordance with sub. (d)(2)d.

(3) **Safekeeping requirements.**

a. An IOLTA participating institution shall comply with the insurance and safety requirements of sub. (b)(5).

b. A repurchase agreement utilized for an IOLTA account may be established only at an IOLTA participating institution deemed to be "well-capitalized" or "adequately capitalized" as defined by applicable federal statutes and regulations.

c. An open-end money market fund utilized for an IOLTA account may be established only at an IOLTA participating institution in a fund that holds itself out as a money market fund as defined under the Investment Act of 1940 and, at the time of investment, has total assets of at least $250,000,000.

(4) **Income requirements.**

a. **Beneficial owner.** The interest or dividends accruing on an IOLTA account, less any allowable reasonable fees, as allowed under par. (5), shall be paid to WisTAF, which shall be considered the beneficial owner of the earned interest or dividends, pursuant to SCR Chapter 13.

b. **Interest and dividend requirements.** An IOLTA account shall bear the highest non-promotional interest rate or dividend that is generally available to non-IOLTA customers at the same branch or main office location when the IOLTA account meets or exceeds the same eligibility qualifications, if any, including a minimum balance, required at that same branch or main office location. In determining the highest rate or dividend available, the IOLTA participating institution may consider factors in addition to the IOLTA account balance that are customarily considered by the institution at that branch or main office location when setting interest rates or dividends for its customers, provided the institution does not discriminate between IOLTA accounts and accounts of non-IOLTA customers and that these factors do not include that the account is an IOLTA account. However, IOLTA participating institutions may voluntarily choose to pay higher rates.

c. **IOLTA account.** An IOLTA participating institution may establish an IOLTA account as, or convert an IOLTA account to, any of the following types of accounts, assuming the particular financial institution at that branch or main office location offers these account types to its non-IOLTA customers, and the particular IOLTA account meets the eligibility qualifications to be established as this type of account at the particular branch or main office location:

1. A business checking account with an automated or other automatic investment sweep feature into a daily financial institution repurchase agreement or open-end money market fund. A daily financial institution repurchase agreement must be invested in United States government securities. An open-

end money market fund must consist solely of United States government securities or repurchase agreements fully collateralized by United States government securities, or both. In this par. c.1., "United States government securities" include securities of government-sponsored entities, such as, but not limited to, securities of, or backed by, the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation;

2. A checking account paying preferred interest rates, such as money market or indexed rates;

3. An interest-bearing checking account such as a negotiable order of withdrawal (NOW) account or business checking account with interest; and

4. Any other suitable interest-bearing or dividend-paying account offered by the institution to its non-IOLTA customers.

d. **Options for compliance.** An IOLTA participating institution may:

1. Establish the comparable product for qualifying IOLTA accounts, subject to the direction of the lawyer or law firm; or,

2. Pay the highest non-promotional interest rate or dividend, as defined in sub. (d)(4)b., less any allowable reasonable fees charged in connection with the comparable highest interest rate or dividend product, on the IOLTA checking account in lieu of actually establishing the comparable highest interest rate or dividend product.

e. **Paying rates above comparable rates.** An IOLTA participating institution may pay a set rate above its comparable rates on the IOLTA checking account negotiated with WisTAF that is fixed over a period of time set by WisTAF, such as 12 months.

(5) **Allowable reasonable fees on IOLTA accounts.**

a. Allowable reasonable fees on an IOLTA account are as follows:

1. Per check charges.

2. Per deposit charges.

3. Fees in lieu of minimum balance.

4. Sweep fees.

5. An IOLTA administrative fee approved by WisTAF.

6. Federal deposit insurance fees.

b. Allowable reasonable fees may be deducted from interest earned or dividends paid on an IOLTA account, provided that the fees are calculated in accordance with an IOLTA participating institution's standard practice for non-IOLTA customers. Fees in excess of the interest earned or dividends paid on the IOLTA account for any month or quarter shall not be taken from interest or dividends of any other IOLTA accounts. No fees that are authorized under SCR 20:1.15(d)(5) shall be assessed against or deducted from the principal of any

IOLTA account. All other fees are the responsibility of, and may be charged to, the lawyer or law firm maintaining the IOLTA account. IOLTA participating institutions may elect to waive any or all fees on IOLTA accounts.

(6) **Remittance and reporting requirements.** A lawyer or law firm shall direct the IOLTA participating institution at which the lawyer or law firm's IOLTA account is located to do all of the following, on at least a quarterly basis:

a. Remit to WisTAF the interest or dividends, less allowable reasonable fees as allowed under par. (5), if any, on the average monthly balance in the account or as otherwise computed in accordance with the IOLTA participating institution's standard accounting practice.

b. Provide to WisTAF a remittance report showing for each IOLTA account the name of the lawyer or law firm for whose IOLTA account the remittance is sent, the rate and type of interest or dividend applied, the amount of allowable reasonable fees deducted, if any, the average account balance for the period for which the report is made, and the amount of remittance attributable to each IOLTA account.

c. Provide to the depositing lawyer or law firm a remittance report in accordance with the participating institution's normal procedures for reporting account activity to depositors.

d. Respond to reasonable requests from WisTAF for information needed for purposes of confirming the accuracy of an IOLTA participating institution's certification.

(e) **Prompt notice and delivery of property.**

(1) **Notice and delivery.** Upon receiving funds or other property in which a client has an interest, or in which a lawyer has received notice that a 3rd party has an interest identified by a lien, court order, judgment, or contract, the lawyer shall promptly notify the client or 3rd party in writing. Except as stated in this rule or otherwise permitted by law or by agreement with the client, the lawyer shall promptly deliver to the client or 3rd party any funds or other property that the client or 3rd party is entitled to receive.

(2) **Accounting.** Upon final distribution of any trust property or upon request by the client or a 3rd party having an ownership interest in the property, a lawyer shall promptly render a full written accounting regarding the property.

(3) **Disputes regarding trust property.** When a lawyer and another person or a client and another person claim an ownership interest in trust property identified by a lien, court order, judgment, or contract, the lawyer shall hold that property in trust until there is an accounting and severance of the interests. If a dispute arises regarding the division of the property, the lawyer shall hold the disputed portion in trust until the dispute is resolved. Disputes between the lawyer and a client are subject to the provisions of SCR 20:1.5(h).

(4) **Burden of proof.** A lawyer's failure to promptly deliver trust property to a client or 3rd party entitled to the trust property, promptly submit trust account records to the office of lawyer regulation or promptly provide an accounting of trust property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold trust property in trust, contrary to SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(f) **Security requirements and restricted transactions.**

(1) **Security of transactions.** A lawyer is responsible for the security of each transaction in the lawyer's trust account and shall not conduct or authorize transactions for which the lawyer does not have commercially reasonable security measures in place. A lawyer shall establish and maintain safeguards to assure that each disbursement from a trust account has been authorized by the lawyer and that each disbursement is made to the appropriate payee. Every check, draft, electronic transfer, or other withdrawal instrument or authorization shall be personally signed or, in the case of electronic, telephone, or wire transfer, directed by one or more lawyers authorized by the law firm or a person under the supervision of a lawyer having responsibility under SCR 20:5.3. A lawyer shall replace any and all funds that have been withdrawn from a trust account by a financial institution or card issuer, and reimburse the trust account for any shortfall or negative balance caused by a chargeback, surcharge, or ACH reversal within three business days of receiving actual notice that a chargeback, surcharge, or ACH reversal has been made against the trust account; and the lawyer shall reimburse the trust account for any chargeback, surcharge, or ACH reversal prior to accepting a new electronic deposit.

(2) **Prohibited transactions.**

a. **Cash.** No withdrawal of cash shall be made from a trust account or from a deposit to a trust account. No check shall be made payable to "Cash." No withdrawal shall be made from a trust account by automated teller or cash dispensing machine.

b. **Telephone transfers.** 1. Except as provided in SCR 20:1.15(f)(2)b.2., no deposits or disbursements shall be made to or from a pooled trust account by a telephone transfer of funds.

2. Wire transfers may be initiated by telephone, and telephone transfers may be made between non-pooled trust accounts that a lawyer maintains for a particular client.

(3) omitted

(4) **Availability of funds for disbursement.**

a. **Standard for trust account transactions.** A lawyer shall not disburse funds from any trust account unless the deposit from which those funds will be disbursed has cleared, and the funds are available for disbursement.

b. **Exception: Real estate transactions.** In closing a real estate transaction, a lawyer's disbursement of closing proceeds from funds that are received on the date of the closing, but that have not yet cleared, shall not violate sub. (f)(4)a. provided that the lawyer complies with sub. (f)(4)c., and that the closing proceeds are deposited no later than the first business day following the closing and are comprised of any of the following types of funds:

1. A cashier's check, teller's check, money order, official check or electronic transfer of funds, issued or transferred by a financial institution insured by the FDIC or a comparable agency of the federal or state government.

2. A check drawn on the trust account of any lawyer or real estate broker licensed under the laws of any state.

3. A check issued by the state of Wisconsin, the United States, or a political subdivision of the state of Wisconsin or the United States.

4. A check drawn on the account of or issued by a lender approved by the Federal Department of Housing and Urban Development as either a supervised or a nonsupervised mortgagee as defined in 24 C.F.R. § 202.2.

5. A check from a title insurance company licensed in Wisconsin, or from a title insurance agent of the title insurance company, if the title insurance company has guaranteed the funds of that title insurance agent.

6. A non-profit organization check in an amount not exceeding $5000 per closing if the lawyer has reasonable and prudent grounds to believe that the deposit will be irrevocably credited to the trust account.

7. A personal check or checks in an aggregate amount not exceeding $5000 per closing if the lawyer has reasonable and prudent grounds to believe that the deposit will be irrevocably credited to the trust account.

c. **Uncollected funds.** Without limiting the rights of the lawyer against any person, it is the responsibility of the disbursing lawyer to reimburse the trust account for any funds described in sub. (f)(4)b. that are not collected and for any fees, charges, and interest assessed by the financial institution on account of the funds being disbursed before the related deposit has cleared and the funds are available for disbursement. The lawyer shall maintain a subsidiary ledger for funds of the lawyer that are deposited in the trust account to reimburse the account for uncollected funds and to accommodate any fees, charges, and interest.

d. **Exception: Collection trust accounts.** When handling collection work for a client and maintaining a separate trust account to hold funds collected on behalf of that client, a lawyer's disbursement to the client of collection

proceeds that have not yet cleared does not violate sub. (f)(4)a. so long as those collection proceeds have been deposited prior to the disbursement.

(g) **Record keeping requirements for all trust accounts.**

(1) **Record retention.** A lawyer shall maintain and preserve complete records of trust account funds, all deposits and disbursements, and other trust property and shall preserve those records for at least six years after the date of termination of the representation. Electronic records shall be backed up by an appropriate storage device. The office of lawyer regulation shall publish guidelines for trust account record keeping.

(2) **Record production.** All trust account records have public aspects related to a lawyer's fitness to practice. Upon request of the office of lawyer regulation, or upon direction of the supreme court, the records shall be submitted to the office of lawyer regulation for its inspection, audit, use, and evidence under any conditions to protect the privilege of clients that the court may provide. The records, or an audit of the records, shall be produced at any disciplinary proceeding involving the lawyer, whenever material.

(3) **Burden of proof.** A lawyer's failure to promptly deliver trust property to a client or 3rd party entitled to that trust property, promptly submit trust account records to the office of lawyer regulation, or promptly provide an accounting of trust property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold trust property in trust, contrary to SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(h) **Dishonored payment notification (Overdraft notices).** All draft trust accounts, and any draft fiduciary account that is not subject to an alternative protection under sub. (k)(10), are subject to the following provisions on dishonored payment notification:

(1) **Overdraft reporting agreement.** A lawyer shall maintain draft trust and fiduciary accounts only in a financial institution that has agreed to provide an overdraft report to the office of lawyer regulation under par. (2). A lawyer or law firm shall notify the financial institution at the time a trust account or fiduciary account is established that the account is subject to this subsection.

(2) **Overdraft report.** In the event any properly payable instrument or electronic transaction is presented against or made from a lawyer trust or fiduciary account containing insufficient funds, whether or not the instrument or electronic transaction is honored, the financial institution shall report the overdraft to the office of lawyer regulation.

(3) **Content of report.** All reports made by a financial institution under this subsection shall be substantially in the following form:

a. In the case of a dishonored instrument or electronic transaction, the report shall be identical to an overdraft notice customarily forwarded to the depositor or investor, accompanied by the dishonored instrument or electronic transaction, if a copy is normally provided to the depositor or investor.

b. In the case of instruments or electronic transactions that are presented against insufficient funds and are honored, the report shall identify the financial institution involved, the lawyer or law firm, the account, the date on which the instrument or electronic transaction is paid, and the amount of overdraft created by the payment.

(4) **Timing of report.** A report made under this subsection shall be made simultaneously with the overdraft notice given to the depositor or investor.

(5) **Confidentiality of report.** A report made by a financial institution under this subsection shall be subject to SCR 22.40, Confidentiality.

(6) **Withdrawal of report by financial institution.** The office of lawyer regulation shall hold each overdraft report for 10 business days to enable the financial institution to withdraw a report provided by inadvertence or mistake. The deposit of additional funds by the lawyer or law firm shall not constitute reason for withdrawing an overdraft report.

(7) **Lawyer compliance.** Every lawyer shall comply with the reporting and production requirements of this subsection, including filing of an overdraft notification agreement for each IOLTA account, each draft-type trust account and each draft-type fiduciary account that is not subject to an alternative protection under sub. (k)(10).

(8) **Service charges.** A financial institution may charge a lawyer or law firm for the reasonable costs of producing the reports and records required by this rule.

(9) **Immunity of financial institution.** This subsection does not create a claim against a financial institution or its officers, directors, employees, or agents for failure to provide a trust account overdraft report or for compliance with this subsection.

(i) **Trust account certificate and acknowledgements.**

(1) **Annual requirement.** A member of the state bar of Wisconsin shall file with the state bar of Wisconsin annually, with payment of the member's state bar dues or upon any other date approved by the supreme court, a certificate as to whether the member is engaged in the practice of law in Wisconsin. If the member is practicing law, the member shall certify the name, address, and telephone number of each financial institution in which the member maintains a trust account, a fiduciary account, or a safe deposit box. The state bar shall supply to each member, with the annual dues statement, or at any other time directed by the supreme court, a form on which this certification shall be made.

(2) **Certification by law firm.** A law firm shall file one certificate of accounts on behalf of the lawyers in the firm who are required to file a certificate under par. (1).

(3) **Compliance with SCR 20:1.15.** Each state bar member shall acknowledge on the annual dues statement, or another form approved by the supreme court, that the member is aware of all of the following requirements of this rule:

a. That SCR 20:1.15 establishes fiduciary obligations for trust and fiduciary property that comes into the member's possession, including the duty to hold that property in trust separate from the member's own property, to safeguard that property, to maintain complete records of that property, to account fully for that property, and to promptly deliver that property to the owner.

b. That SCR 20:1.15 requires a member to maintain each IOLTA account in an IOLTA participating institution, to file an overdraft agreement with the office of lawyer regulation for each account that is subject to SCR 20:1.15(h) and (k)(10), and to annually report all trust and fiduciary accounts to the state bar of Wisconsin that are not subject to an exception under SCR 20:1.15(m).

(4) **Suspension for non-compliance.** A state bar member who fails to file the acknowledgements required by sub. (i)(3) or a trust account certificate, unless a certificate of accounts is filed by the law firm, is subject to the automatic suspension of the member's membership in the state bar in the same manner provided in SCR 10.03(6) for nonpayment of dues.

(j) **Multi-jurisdictional practice.** If a lawyer also licensed in another state is entrusted with funds or property in connection with a representation in the other state, the provisions of this rule shall not supersede the applicable rules of the other state.

(k) **Fiduciary property.**

(1) **Segregation of fiduciary property.** A lawyer shall hold in trust, separate from the lawyer's own funds or property, those funds or that property of clients or 3rd parties that are in the lawyer's possession when acting in a fiduciary capacity.

(2) **Accounting.** Upon final distribution of any fiduciary property or upon request by a client or a 3rd party having an ownership interest in the property, a lawyer shall promptly render a full written accounting regarding the property.

(3) **Fiduciary accounts.** A lawyer shall deposit all fiduciary funds specified in par. (1) in any of the following:

a. A separate interest-bearing or dividend-paying fiduciary account on which interest or dividends shall be paid to the fiduciary entity or its beneficiary or beneficiaries, less any taxes and expenses of the fiduciary entity.

b. A pooled interest-bearing or dividend-paying fiduciary account with sub-accounting by the financial institution, the lawyer, or the law firm that will provide for computation of interest or dividends earned by each fiduciary entity's funds and the proportionate allocation of the interest or dividends to each of the fiduciary entities, less any taxes and expenses of the fiduciary entity.

c. An income-generating investment vehicle, on which income shall be paid to the fiduciary entity or its beneficiary or beneficiaries, less any taxes and expenses of the fiduciary entity.

d. An income-generating investment vehicle selected by the lawyer and approved by a court for guardianship funds if the lawyer serves as guardian for a ward under Ch. 54 and subject to Ch. 881, Wis. Stats.

e. An income-generating investment vehicle selected by the lawyer to protect and maximize the return on funds in a bankruptcy estate, which investment vehicle is approved by the bankruptcy trustee, by a bankruptcy court order, or otherwise consistent with 11 U.S.C. § 345.

f. A draft account or other account that does not bear interest or pay dividends when, in the lawyer's professional judgment, placement in the account is consistent with the needs and purposes of the fiduciary entity or its beneficiary or beneficiaries.

(4) **Location.** Each fiduciary account shall be maintained in a financial institution as provided by the written authorization of the client, the governing trust instrument, organizational by-laws, an order of a court, or, absent such direction, in a financial institution that, in the lawyer's professional judgment, will best serve the needs and purposes of the client or 3rd party for whom the lawyer serves as fiduciary. If a lawyer acts in good faith in making this determination, the lawyer is not subject to any charge of ethical impropriety or other breach of the Rules of Professional Conduct. When the fiduciary property is held in a draft account and the account is at a financial institution that is not located in Wisconsin or authorized by state or federal law to do business in Wisconsin, the lawyer shall comply with the requirements of sub. (k)(10)b., c., d., e., or f.

(5) **Cash transactions prohibited.** No withdrawal of cash shall be made from a fiduciary account or from a deposit to a fiduciary account. No check shall be made payable to "Cash." No withdrawal shall be made from a fiduciary account by automated teller or cash dispensing machine.

(6) **Availability of funds for disbursement.** A lawyer shall not disburse funds from a fiduciary account unless the deposit from which those funds will

be disbursed has cleared and the funds are available for disbursement. The exception for real estate transactions in sub. (f)(4)b. shall apply to fiduciary accounts.

(7) **Record retention.** A lawyer shall maintain and preserve complete records of fiduciary account funds, all deposits and disbursements, and other fiduciary property and shall preserve those records for the six most recent years during which the lawyer served as a fiduciary and shall preserve at a minimum, a summary accounting of all fiduciary funds and property for prior years during which the lawyer served as a fiduciary. After the termination of the fiduciary relationship, the lawyer shall preserve the records required by this paragraph for at least six years. Electronic records shall be backed up by an appropriate storage device. The office of lawyer regulation shall publish guidelines for fiduciary account record keeping.

(8) **Record production.** All fiduciary account records have public aspects related to a lawyer's fitness to practice. Upon request of the office of lawyer regulation, or upon direction of the supreme court, the records shall be submitted to the office of lawyer regulation for its inspection, audit, use, and evidence under any conditions to protect the privilege of clients that the court may provide. The records, or an audit of the records, shall be produced at any disciplinary proceeding involving the lawyer, whenever material.

(9) **Burden of proof.** A lawyer's failure to promptly submit fiduciary account records to the office of lawyer regulation or promptly provide an accounting of fiduciary property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold fiduciary property in trust, contrary to SCR 20:1.15(k)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(10) **Dishonored payment notification or alternative protection.** A lawyer who holds fiduciary property in a draft account from which funds are disbursed through a properly payable instrument or electronic transaction shall take any of the following actions:

a. Comply with the requirements of sub. (h) relating to dishonored payment notification (overdraft notices).

b. Have the account independently audited by a certified public accountant on at least an annual basis.

c. Hold the funds in a draft account, which requires the approval of a co-trustee, co-agent, co-guardian, or co-personal representative before funds may be disbursed from the account.

d. Require and document the approval of two people from a group consisting of a lawyer or a member or employee of the lawyer's law firm before funds may be disbursed from the account.

e. In the case of an estate or trust, provide an accounting of the administration at least annually to all beneficiaries currently eligible to receive income distributions.

f. In the case of a guardianship proceeding in which annual financial accountings must be reviewed by a court, timely file those annual financial accountings with the court.

(11) **Fiduciary account certificate and acknowledgements.** Funds held by a lawyer in a fiduciary account are subject to the requirements of sub. (i).

(m) **Exceptions to this section.** This rule does not apply in any of the following instances in which a lawyer is acting in a fiduciary capacity:

(1) The lawyer is serving as a bankruptcy trustee, subject to the oversight and accounting requirements of the bankruptcy court or the office of U.S. Trustee.

(2) The lawyer is serving as an assignee or receiver under the provisions of Ch. 128, Wis. Stats.

(3) The property held by the lawyer when acting in a fiduciary capacity is property held for the benefit of an immediate family member of the lawyer.

(4) The lawyer is serving in a fiduciary capacity for a civic, fraternal, or non-profit organization that is not a client and has other officers or directors participating in the governance of the organization.

(5) The lawyer is acting in the course of the lawyer's employment by an employer not itself engaged in the practice of law, provided that the lawyer's employment is not ancillary to the lawyer's practice of law.

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A lawyer must hold the property of others with the care required of a professional fiduciary. All property that is the property of clients or 3rd parties must be kept separate from the lawyer's business and personal property and, if monies, in one or more trust or fiduciary accounts. Lawyers have duties to keep clear, distinct, and accurate records of all trust transactions, and to be able always to make a full accounting. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(a)(2) Electronic transaction.

The types of electronic transactions are developing. For examples of current types of electronic transactions, see the record-keeping guidelines published by the office of lawyer regulation.

SCR 20:1.15(b)(1) Separate accounts.

With respect to probate matters, a lawyer's role may be to serve in a fiduciary capacity as the personal representative, to represent an estate's personal representative, or to act as both personal representative and attorney for an estate. SCR 20:1.15(k) applies to funds and property which a lawyer receives, holds, and distributes while serving in the fiduciary role of personal representative. Such funds and property may include, but are not limited to, bank and investment accounts, stocks, and bonds. SCRs 20:1.15(b)-(i) apply to funds and property which a lawyer receives, holds, and distributes in connection with the representation of a client/personal representative or an estate. Such funds include, but are not limited to, advanced legal fees and advanced costs. If a lawyer acts in good faith to safeguard funds and property received in connection with a probate matter, the lawyer is not subject to any charge of ethical impropriety for holding what may be determined to be fiduciary funds in a segregated trust account or in an IOLTA account for a limited period of time, or for holding what may be determined to be trust funds in a fiduciary account.

SCR 20:1.15(b)(5) Insurance and safekeeping requirements.

Pursuant to SCR 20:1.15(b)(5), trust accounts are required to be held in financial or IOLTA participating institutions that are insured by the FDIC, the NCUSIF, the SIPC or any other investment institution financial guaranty insurance. However, since federal law dictates the amount of insurance coverage available from the FDIC, the NCUSIF, and the SIPC, funds in excess of those limits are not insured. Federal law also limits the types of losses that are covered by SIPC insurance. Consequently, the purpose of the insurance and safety requirements is not to guarantee that all funds are adequately insured. Rather, it is to assure that trust funds are held in reputable financial or IOLTA participating institutions and that the funds are eligible for the insurance that is available. The exceptions to the SCR 20:1.15(b)(5) requirement relate to trust property other than funds and to IOLTA accounts that are subject to the safety requirements of SCR 20:1.15(d)(3)b. and c.

SCR 20:1.15(b)(6) Advanced legal fee and costs.

While the general rule is that a lawyer must hold trust property separate from the lawyer's own property, SCR 20:1.15(b)(6) allows very limited short-term temporary commingling when accepting an electronic payment for advanced fees or costs. Considering the expense of electronic payment processing providers, this allows a lawyer to maintain only one electronic payment processing provider service and to have it connected to just one bank account, e.g. the law firm's operating account. The lawyer may accept electronic payments for advanced fees or costs to that account without violating SCR 20:1.15(a), so long as any payments for advanced fees or costs are promptly transferred to the lawyer's trust account within two business days.

SCR 20:1.15(d)(3) Safekeeping requirements.

See comment to SCR 20:1.15(b)(5).

SCR 20:1.15(d)(4) Income requirements.

Pursuant to SCR 20:1.15(d)(4), IOLTA accounts shall bear the highest non-promotional interest rate or dividend that is generally available to non-IOLTA customers at the same branch or main office location when the IOLTA account meets or exceeds the same eligibility qualifications, if any, including a minimum balance. Investment products, including repurchase agreements and shares of mutual funds, are neither deposits nor federally or FDIC-insured. An investment in a repurchase agreement or money market fund may involve investment risk including possible loss of the principal amount invested. The rule, however, provides safeguards to minimize any potential risk by limiting investment products to repurchase agreements and open-end money market funds that invest in United States government securities only.

SCR 20:1.15(e) Prompt notice and delivery of property.

Third parties, such as a client's creditors, may have just claims against funds or other property in a lawyer's custody. A lawyer may have a duty under applicable law, including SCR 20:1.15(e), to protect such 3rd-party claims against wrongful interference by the client, and accordingly, may refuse to surrender the property to the client. However, a lawyer should not unilaterally assume to arbitrate a dispute between the client and the 3rd party. If a lawyer holds property belonging to one person and a second person has a contractual or similar claim against that person but does not claim to own the property or have a security interest in it, the lawyer is free to deliver the property to the person to whom it belongs.

SCR 20:1.15(e)(4) Burden of proof.

A lawyer's failure to comply with the delivery requirements of SCR 20:1.15(e)(1) or the accounting requirements of SCR 20:1.15(e)(2) will result in a presumption that the lawyer has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(f)(1) Security of transactions.

SCR 20:1.15(f)(1) takes into account the modern banking and payments industry, allowing for electronic transfers to and from the trust account, so long as such transfers are authorized in advance by a lawyer in the law firm or a person under a lawyer's direct supervision. Should there be any chargeback, surcharge, or ACH reversal of an electronic payment to the trust account, the lawyer is responsible for replacing any and all such funds within three business days of actual notice of the chargeback, surcharge, or ACH reversal, and the lawyer must reimburse the account prior to accepting any additional electronic deposits.

Approval of disbursements

This rule requires the signature of a lawyer, or a person under the lawyer's direct supervision, on all checks issued from a firm trust account and also requires a lawyer's authorization for all electronic disbursements from a firm trust account. Written confirmation of authorization for electronic disbursements should be maintained as part of complete trust account records.

Costs associated with electronic payments

Electronic payment systems, such as credit cards, routinely impose charges on vendors when a customer pays for goods or services. That charge may be deducted directly from the customer's payment. Vendors who accept credit cards routinely credit the customer with the full amount of the payment and absorb the charges. Before holding a client responsible for these charges, a lawyer should disclose this practice to the client in advance, and assure that the client understands and consents to the charges. This disclosure should be in writing if necessary to comply with SCR 20:1.5(b). In addition, the lawyer should ensure that holding the client responsible for transaction costs does not violate the terms of service of the payment system provider or other law.

SCR 20:1.15(f)(4)b. Exception: Real estate transactions.

SCR 20:1.15(f)(4)b. establishes an exception to the requirement that a lawyer only disburse funds that are available for disbursement, i.e., funds that have been credited to the account. This exception was created in recognition of the fact that real estate transactions in Wisconsin require a simultaneous exchange of funds. However, even under this exception, the funds from which a lawyer disburses the proceeds of the real estate transaction, i.e., the lender's check, draft, wire transfer, etc., must be deposited no later than the first business day following the date of the closing. In refinancing transactions, the lender's funds must be deposited as soon as possible, but no later than the first business day after the loan proceeds are distributed. Proceeds are generally distributed three days after the closing date.

SCR 20:1.15(g)(2) Record production.

The duty of the lawyer to produce client trust account records for inspection under SCR 20:1.15(g)(2) is a specific exception to the lawyer's responsibility to maintain the confidentiality of the client's information as required by SCR 20:1.6.

SCR 20:1.15(g)(3) Burden of proof.

A lawyer's failure to comply with the record production requirements of SCR 20:1.15(g)(2) or to provide an accounting for trust property will result in a presumption that the lawyer has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(j) Multi-jurisdictional practice.

This rule does not prohibit a lawyer whose principal office is in another jurisdiction and who permissibly represents clients in Wisconsin matters from using a trust account for Wisconsin matters that is compliant with the rules of the other jurisdiction.

SCR 20:1.15(k)(1) Segregation of fiduciary property.

See comment to SCR 20:1.15(b)(1).

SCR 20:1.15(k)(9) Burden of proof.

A lawyer's failure to comply with the record production requirements of SCR 20:1.15(k)(8) or to provide an accounting for fiduciary property will result in a presumption that the lawyer has failed to hold fiduciary property in trust, contrary to SCR 20:1.15(k)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin,

773 39 Wis. 2d 437, 159 N.W.2d 660 (1968).