

TAB 2
Report to Convocation
February 26, 2026

Professional Regulation Committee

Committee Members

Rebecca Durcan (Chair)
Jonathan Rosenthal (Vice-Chair)
Matthew Wilson (Vice-Chair)
Daly Canie
Neha Chugh
Jennifer Gold
Michelle Lomazzo
William McDowell
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Kevin Ross
Quinn Ross
Margaret Waddell
Kathryn Whitehead

Purpose of Report: For Decision

Prepared by the Policy, Equity & External Relations Division

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Tab 2.1

Professional Regulation Committee

For Decision

Trust Account Management and Enforcement: Authorization to compel production of trust account records

February 26, 2026

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Motion

That Convocation approve the Motion at **Tab 2.1.1** to amend By-Law 9 by requiring prescribed licensees to provide the Law Society with a valid, irrevocable Authorization directing the financial institution holding their trust account to produce trust account records to the Law Society upon request.

Context

The proposed amendments to By-Law 9 introduce an Authorization that seeks to enable the Law Society to obtain licensee trust account records in prescribed circumstances. This measure forms part of the Trust Account Management and Enforcement (TAME) project, an ongoing, multi-pronged initiative of the Professional Regulation Committee (the “Committee”) aimed at strengthening public protection through coordinated operational and policy reforms, including enhanced oversight of licensee trust account activity. Collectively, these tools support early identification of account-management concerns and improve the Law Society’s ability to intervene promptly and effectively in the public interest.

The trust placed in legal representatives to hold funds or other property for the benefit of their clients is a privilege, accompanied by both professional responsibilities and fiduciary obligations. Licensee professional obligations are detailed in the *Law Society Act*¹ (“Act”), the Law Society’s by-laws, and the rules of conduct applicable to lawyers or paralegals. The Law Society enforces those obligations as a key element of its mandate to protect the public interest. In circumstances where clients are harmed as a result of a licensee’s failure to comply with their professional and fiduciary obligations, the broader profession bears the costs. Those costs include increased Law Society fees to fund forensic audits and investigations in the discipline process and increased compensation fund premiums to cover claims where there has been licensee dishonesty or fraud. Reputational risk to the profession is also at stake when public confidence is harmed as a result of a licensee’s financial misconduct.

The Authorization, alongside other measures flowing from TAME, underscores that licensees, as trustees, are subject to heightened regulatory obligations and oversight. Licensees hold client funds by virtue of their licensure, and the responsibilities associated with that role require a commensurate level of diligence, transparency, and accountability. The Authorization, as a component of the broader TAME initiative, supports a clearer understanding of licensees’ trustee obligations and reinforces the Law Society’s expectation that they maintain practices that are aligned with the seriousness of holding client monies in trust.

¹ [RSO 1990, c. L.8.](#)

Background

In June 2025, the Committee considered and approved, in principle, a requirement for licensees to provide an irrevocable Authorization to the Law Society and presented the measure to Convocation later that month as an update. After engaging in consultation with select stakeholders to inform and refine its approach,² in November 2025, the Committee presented this measure to Convocation with a recommendation to adopt it in principle.³ Convocation voted in favor of that recommendation.

For clarity, the approach adopted by Convocation entails the following:

- Licensees with signing authority over trust accounts would be required to provide the Law Society with an irrevocable Authorization to their financial institution, authorizing the release of the licensee’s trust account records to the Law Society.
- Licensees with signing authority over trust accounts would complete the Authorization as part of the trust account opening process and annually thereafter during the annual reporting process but not as part of the Annual Report.
- The Authorization would be used in the risk assessment process applied by the Spot Audit department or as part of the complaints triage process in determining compliance with the Law Society’s by-laws and the appropriate risk level presented by allegations of financial mishandling, misappropriation, or breaches of anti-money laundering rules and whether that risk warrants a formal investigation.
- To ensure the Authorization is used sparingly and with appropriate caution, approval of the Executive Director, Professional Regulation or the Executive Director, Professional Development and Competence (depending on the context), will be required before it can be executed.⁴

To account for the significant and growing risks posed by AI-generated “deepfake” records, and to eliminate delay in cases where there is a high risk of further misconduct, licensees may not be given an opportunity to provide trust account records to the Law Society before the Authorization is exercised. Although the initial consultation and

² To inform the Committee’s recommendation, selected stakeholders were engaged to gather feedback from licensees. Meetings were held with the Ontario Bar Association (OBA), the Toronto Lawyers Association (TLA), the Federation of Ontario Law Associations (FOLA), the Real Estate Liaison Group (RELG), as well as the Canadian Bankers Association. Additionally, the [Law Society’s website](#) included the [Regulating in the Public Interest – Trust Account Management and Enforcement](#) report and an open call for feedback since July 2025. The August 28, 2025 Licensee Update also explicitly noted the proposed Authorization, along with a request for feedback.

³ See the [Professional Regulation Committee’s report to Convocation, November 27, 2025](#) (Tab 3.3).

⁴ A similar guardrail already exists in the *Act*. Pursuant to section 51(11.1), the Executive Director, Professional Regulation, is authorized to issue a summons requiring the provision of evidence under oath or the production of documents in connection with determining claims made to the Compensation Fund.

materials presented to Convocation suggested that licensees would be permitted to provide financial records before the Law Society exercises the Authorization, the Professional Regulation division has since advised that such a requirement would impose an untenable constraint that may, in some circumstances, undermine the purpose of the Authorization.

From the outset of the TAME project, it has been acknowledged that the Authorization mechanism will not be entirely effective in all circumstances and that there may be variability in how financial institutions—and even individual branches of the same institution—respond to such requests. However, the TAME initiative is a multi-pronged strategy established to achieve an overarching policy objective. The tools currently being implemented and explored, as well as those that will be brought forward by the Committee in the future, are intended to operate collectively and reinforce one another.

Amendments

The motion at **Tab 2.1.1** sets out the proposed amendments as additions to section 7 of By-Law 9⁵, which can be summarized as follows:

- 1. An amendment requiring a licensee who keeps a trust account (or, in the case of a law firm, a designated licensee who has signing authority on the trust account) to provide the Law Society with a valid irrevocable Authorization instructing their financial institution to release trust account records to the Law Society upon request.**

Rationale: Consistent with one of TAME’s overarching objectives – namely, reducing the administrative burden associated with licensee processes – this amendment establishes a streamlined and straightforward method for licensees to submit standardized Authorizations to the Law Society.⁶ It also reduces the number of licensees within a firm who must provide an Authorization, thereby further minimizing administrative demands.

- 2. An amendment requiring a licensee referenced above to provide the Authorization to the Law Society:**

- a. No later than:**

- i. 30 days following the opening of a trust account, or**

⁵ A redlined version of By-Law 9 is at **Tab 2.1.2**.

⁶ Licensees will be provided with a standardized Authorization form that will be submitted to the Law Society via LSO Connects.

ii. **March 31, 2027, for any licensee who holds signing authority on the day these amendments come into force; and**

b. **As required by the Law Society in years following the year in which the Authorization is first required.**⁷

Rationale: Establishing a clear timeline promotes consistency and predictability, while the ongoing requirement for licensees to provide an Authorization helps ensure that the document on file remains current and effective. Feedback received through consultations indicated that Authorizations executed many years earlier may no longer carry the necessary authority. Although financial institutions may vary in how they respond to such requests, an ongoing renewal process offers the strongest assurance that the Law Society is relying on accurate and up-to-date information, thereby increasing the likelihood of a successful response.

Next Steps

If the Motion at **Tab 2.1.1** is adopted by Convocation, the amendments to By-Law 9 will come into force on May 1, 2026, and staff will prepare the Authorization and establish a submission process through LSO Connects.

⁷ It is anticipated that the Authorization will be required annually and processes will be put in place to operationalize this requirement.

LAW SOCIETY OF ONTARIO
BY-LAWS MADE UNDER
SUBSECTIONS 62 (0.1) AND (1) OF THE *LAW SOCIETY ACT*

BY-LAW 9
[FINANCIAL TRANSACTIONS AND RECORDS]

MOTION TO BE MOVED AT THE MEETING OF CONVOCATION ON FEBRUARY 26, 2026

MOVED BY MATTHEW WILSON

SECONDED BY REBECCA DURCAN

THAT By-Law 9 [Financial Transactions and Records], in force immediately before this motion is moved, be amended as follows:

1. Effective May 1, 2026, the English version of By-Law 9 is amended by adding the following immediately after subsection 7 (5):

Irrevocable written authorization

(6) Subject to subsection (7), a licensee who keeps a trust account shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the licensee comply with the requirements of the by-laws.

Irrevocable written authorization: firm of licensees

(7) If a trust account is kept by a firm of licensees, a licensee who has signing authority on the trust account and who is designated by the firm to do so shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the firm comply with the requirements of the by-laws.

(8) The licensee mentioned in subsections (6) and (7) shall provide the irrevocable valid written authorization to the Society,

(a) by not later than,

(i) March 31, 2027, in the case of a trust account that is open on the day subsection (6) comes into force; or

(ii) 30 days after a trust account is opened; and

(b) by not later than the time specified by the Society in any year after the year in which the irrevocable valid written authorization is first required to be provided under clause (a).

2. Effective May 1, 2026, the French version of By-Law 9 is amended by adding the following immediately after subsection 7 (5):

Autorisation écrite irrévocable

(6) Sous réserve du paragraphe (7), le titulaire de permis qui conserve un compte en fiducie fournira au Barreau une autorisation écrite, valide et irrévocable, donnant droit au Barreau d'enjoindre à l'institution financière où est détenu le compte en fiducie de divulguer au Barreau, à sa demande, les renseignements afférents au compte en fiducie dont a besoin le Barreau pour établir si les registres financiers du titulaire de permis satisfont aux exigences énoncées dans les règlements administratifs.

Autorisation écrite irrévocable : cabinet

(7) Si un compte en fiducie est conservé par un cabinet, le titulaire de permis qui a l'autorisation de signer à l'égard du compte en fiducie et qui est désigné par le cabinet pour le faire fournira au Barreau une autorisation écrite, valide et irrévocable, donnant droit au Barreau d'enjoindre à l'institution financière où est détenu le compte en fiducie de divulguer au Barreau, à sa demande, les renseignements afférents au compte en fiducie dont a besoin le Barreau pour établir si les registres financiers du cabinet satisfont aux exigences énoncées dans les règlements administratifs.

(8) Le titulaire de permis mentionné aux paragraphes (6) et (7) fournira l'autorisation écrite, valide et irrévocable, au Barreau

a) au plus tard :

(i) le 31 mars 2027, si un compte en fiducie est ouvert le jour de l'entrée en vigueur du paragraphe (6);

(ii) 30 jours après l'ouverture d'un compte en fiducie;

b) au plus tard à la date précisée par le Barreau, au cours de toute année postérieure à l'année durant laquelle l'autorisation écrite, valide et irrévocable, doit être fournie pour la première fois en application de l'alinéa a).

BY-LAW 9

Made: May 1, 2007
Amended: June 28, 2007
January 24, 2008
February 21, 2008
March 20, 2009 (editorial changes)
September 29, 2009 (editorial changes)
April 28, 2011
May 3, 2011 (editorial changes)
October 19, 2015 (editorial changes)
April 27, 2017
May 27, 2021 (effective January 1, 2022)
October 1, 2021
October 18, 2021 (editorial changes)
May 12, 2023 (editorial changes)
November 27, 2025
December 16, 2025 (editorial changes)

FINANCIAL TRANSACTIONS AND RECORDS

PART I

INTERPRETATION

Interpretation

1. (1) In this By-Law,

“cash” means current coin within the meaning of the *Currency Act* (Canada), notes intended for circulation in Canada issued by the Bank of Canada pursuant to the *Bank of Canada Act* and current coin or bank notes of countries other than Canada;

“charge” has the same meaning given it in the *Land Registration Reform Act*;

“client” means a person or group of persons from whom or on whose behalf a licensee receives money or other property;

“electronic” has the same meaning given it in the *Electronic Commerce Act, 2000*;

“electronic signature” has the same meaning given it in the *Electronic Commerce Act, 2000*;

“firm of licensees” means,

- (a) a partnership of licensees and all licensees employed by the partnership,
- (b) a professional corporation established for the purpose of practising law in Ontario and all licensees

employed by the professional corporation,

(c) a professional corporation established for the purpose of providing legal services in Ontario and all licensees employed by the professional corporation, or

(d) a professional corporation established for the purpose of practising law and providing legal services in Ontario and all licensees employed by the professional corporation;

“funds” means cash, currency, securities and negotiable instruments or other financial instruments that indicate the person’s title or right to or interest in them;

“holiday” means,

(a) any Saturday or Sunday,

(b) New Year’s Day, and where New Year’s Day falls on a Saturday or Sunday, the following Monday,

(c) Family Day,

(d) Good Friday,

(e) Easter Monday,

(f) Victoria Day,

(g) Canada Day, and where Canada Day falls on a Saturday or Sunday, the following Monday,

(h) Civic Holiday,

(i) Labour Day,

(j) National Day for Truth and Reconciliation

(k) Thanksgiving Day,

(l) Remembrance Day, and where Remembrance Day falls on a Saturday or Sunday, the following Monday,

(m) Christmas Day, and where Christmas Day falls on a Saturday or Sunday, the following Monday and Tuesday, and where Christmas Day falls on a Friday, the following Monday,

(n) Boxing Day, and

(o) any special holiday proclaimed by the Governor General or the Lieutenant Governor;

“lender” means a person who is making a loan that is secured or to be secured by a charge, including a charge to be held in trust directly or indirectly through a related person or corporation;

“licensee” includes a firm of licensees;

“money” includes cash, cheques, drafts, credit card sales slips, post office orders and express and bank money orders;

“related person” has the same meaning given to the singular of “related persons” in the *Income Tax Act* (Canada);

“Teranet” means Teranet Inc., a corporation incorporated under the *Business Corporations Act*, acting as agent for the Ministry of Public and Business Service Delivery.

Time for doing an act expires on a holiday

(2) Except where a contrary intention appears, if the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

When deemed in trust

(3) For the purposes of subsections 9 (1), (2) and (3) and section 14, cash, cheques negotiable by the licensee, cheques drawn by the licensee on the licensee's trust account and credit card sales slips in the possession and control of the licensee shall be deemed from the time the licensee receives such possession and control to be money held in a trust account if the cash, cheques or credit card sales slips, as the case may be, are deposited in the trust account not later than the following banking day.

Electronic documents

(4) A requirement that information, a document or a record be in writing or printed is satisfied by information, a document or a record that is in electronic form if it is accessible so as to be useable for subsequent reference, and a reference to a book, ledger or statement includes an electronic version of the book, ledger or statement.

Electronic Signatures

(5) A requirement that a document or record be signed is satisfied by an electronic signature.

Alternative to Forms A, B, C and D

(6) A requirement that certain information be recorded on a specified Form may be satisfied by a document in another format recording all the information required by the specified Form.

PART II**HANDLING OF MONEY BY BANKRUPT LICENSEE****Handling of money by bankrupt licensee**

2. (1) Subject to subsections (2) and (3), a licensee who is bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada) shall not receive from or on behalf of a person or group of persons any money or other property and shall not otherwise handle money or other property that is held in trust for a person or group of persons.

Exception

(2) A licensee who is bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada) may receive from or on behalf of a person or group of persons money,

- (a) in payment of fees for services performed by the licensee for the person or group; or
- (b) in reimbursement for money properly expended, or for expenses properly incurred, on behalf of the person or group.

Same

(3) A licensee who is bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada) may apply in writing to the Society for permission to receive from or on behalf of a person or group of persons any money or other property, other than as permitted under subsection (2), or for permission to handle money or other property that is held in trust for a person or group of persons, and the Society may permit the licensee to do so, subject to such terms and conditions as the Society may impose.

PART II.1**HANDLING OF MONEY BY LICENSEE WHOSE LICENCE IS SUSPENDED****Interpretation**

2.1. In this Part,

“suspended licensee” means a licensee who is the subject of a suspension order;

“suspension order” means an order made under the Act suspending a licensee’s licence to practise law in Ontario as a barrister and solicitor or to provide legal services in Ontario, regardless of whether the suspension begins when the order is made or thereafter.

Handling of money by suspended licensee

2.2. (1) Subject to subsection (2) and section 2.3, a suspended licensee shall not, during the suspension receive from or on behalf of a person or group of persons any money or other property and shall not otherwise handle money or other property that is held in trust for a person or group of persons.

Exception

(2) A suspended licensee may receive from or on behalf of a person or group of persons money,

- (a) in payment of fees for services performed by the suspended licensee for the person or group; or
- (b) in reimbursement for money properly expended, or for expenses properly incurred, on behalf of the person or group.

Trust account

2.3. (1) A suspended licensee shall, within 30 days of the beginning of the suspension,

(a) withdraw from every trust account kept in the name of the suspended licensee, or in the name of the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed, and, as required, pay to the appropriate person,

- (i) money properly required for payment to a person on behalf of a client,
 - (ii) money required to reimburse the suspended licensee for money properly expended, or for expenses properly incurred, on behalf of a client,
 - (iii) money required for or toward payment of fees for services performed by the suspended licensee,
- and
- (iv) all other money that belongs to the suspended licensee or to a person other than a client;

(b) after complying with clause (a), withdraw from every trust account kept in the name of the suspended licensee, or in the name of the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed, all money belonging to a client and pay the money to,

(i) the client,
(ii) another licensee to whom the client has directed the suspended licensee to make payment, or
(iii) another licensee who has agreed with the suspended licensee to accept payment in the event that the suspended licensee is unable to comply with subclause (i) or (ii); and

(c) after complying with clauses (a) and (b),

(i) close every trust account that was kept in the name of the suspended licensee, and
(ii) cancel or cause to be cancelled the suspended licensee's signing authority on every trust account that was kept in the name of the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed.

Compliance with clause (1) (b) not required

(2) A suspended licensee is not required to comply with clause (1) (b) if the client's file is transferred, in accordance with Part IV of By-Law 7.1, to another licensee in the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed.

Application of sections of Part IV

(3) Subsection 9 (3) and sections 10, 11 and 12 apply to the withdrawal of money from a trust account under this section.

Report to Society on compliance

(4) A suspended licensee shall, not later than thirty days after the suspension begins, complete and file with the Society, in a form provided by the Society, a report confirming and providing details of the suspended licensee's compliance with this section.

Permission to be exempt from requirement

2.4. A suspended licensee may apply in writing to the Society for an exemption from or a modification of a requirement mentioned in this Part, and the Society may exempt the suspended licensee from or modify the requirement, subject to such terms and conditions as the Society may impose.

PART III

CASH TRANSACTIONS

Definition

3. In this Part,

"public body" means,

- (a) a ministry, department or agent of the government of Canada or of a province or territory of Canada,
- (b) a municipality incorporated by or under an Act of a province or territory of Canada, including a city, town, village, metropolitan or regional municipality, township, district, county, rural municipality, any other incorporated municipal body and an agent of any of them,
- (c) a local board of a municipality incorporated by or under an Act of a province or territory of Canada, including any local board as defined in the Municipal Act and any similar body incorporated under the law of another province or territory,
- (d) an organization that operates a public hospital and that is designated by the Minister of National Revenue as a hospital authority under the Excise Tax Act (Canada) or an agent of the organization,
- (e) a body incorporated by or under an Act of Canada or of a province or territory of Canada for a public purpose, or
- (f) a subsidiary of an entity mentioned in clauses (a) to (e) where the financial statements of the subsidiary are consolidated with the financial statements of the entity.

Cash received

4. (1) A licensee shall not receive or accept from a person, in respect of any one client file, cash in an aggregate amount of more than 7,500 Canadian dollars.

Foreign currency

(2) For the purposes of this section, when a licensee receives or accepts from a person cash in a foreign currency the licensee shall be deemed to have received or accepted the cash converted into Canadian dollars at,

- (a) the official conversion rate of the Bank of Canada for the foreign currency as published in the Bank of Canada's Daily Noon Rates that is in effect at the time the licensee receives or accepts the cash; or
- (b) if the day on which the licensee receives or accepts cash is a holiday, the official conversion rate of the Bank of Canada in effect on the most recent business day preceding the day on which the licensee receives or accepts the cash.

Application

5. Section 4 applies when, in respect of a client file, a licensee engages in or gives instructions in respect of the following activities:

1. The licensee receives or pays funds.
2. The licensee purchases or sells securities, real properties or business assets or entities.
3. The licensee transfers funds by any means.

Exceptions

6. Despite section 5, section 4 does not apply when the licensee, in connection with the provision of legal services by the licensee,

- (a) receives cash from a public body, an authorized foreign bank within the meaning of section 2 of the Bank Act (Canada) in respect of its business in Canada or a bank to which the Bank Act (Canada) applies,

a cooperative credit society, savings and credit union or caisse populaire that is regulated by a provincial or territorial Act, an association that is regulated by the Cooperative Credit Associations Act (Canada), a financial services cooperative that is regulated by An Act respecting financial services cooperatives (Quebec) or An Act respecting the Mouvement Desjardins (Quebec) and that is not a caisse populaire, a credit union central or a federation of credit unions or caisses populaires that is regulated by a provincial, other than Quebec, or territorial Act, a company that is regulated by the Trust and Loan Companies Act (Canada), a trust company or loan company that is regulated by a provincial or territorial Act or a department or agent of Her Majesty in right of Canada or of a province or territory where the department or agent accepts deposit liabilities in the course of providing financial services to the public;

(b) receives cash from a peace officer, law enforcement agency or other agent of the Crown acting in an official capacity;

(c) receives cash to pay a fine, a penalty or bail; or

(d) receives cash for fees, disbursements or expenses, provided that any refund out of such receipts is also made in cash.

PART IV

TRUST ACCOUNT

TRUST ACCOUNT TRANSACTIONS

Money received in trust for client

7. (1) Subject to section 8, every licensee who receives money in trust for a client shall immediately pay the money into an account at a bank listed in Schedule I or II to the *Bank Act* (Canada), a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies or a registered trust corporation, to be kept in the name of the licensee, or in the name of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, and designated as a trust account.

Interpretation

(2) For the purposes of subsection (1), a licensee receives money in trust for a client if the licensee receives from a person,

(a) money that belongs in whole or in part to a client;

(b) money that is to be held on behalf of a client;

(c) money that is to be held on a client's direction or order;

(d) money that is advanced to the licensee on account of fees for services not yet rendered; or

(e) money that is advanced to the licensee on account of disbursements not yet made.

Money to be paid into trust account

(3) In addition to the money required under subsection (1) to be paid into a trust account, a licensee shall pay the following money into a trust account:

1. Money that may by inadvertence have been drawn from a trust account in contravention of section 9.

2. Money paid to a licensee that belongs in part to a client and in part to the licensee where it is not practical to split the payment of the money.

Withdrawal of money from trust account

(4) A licensee who pays into a trust account money described in paragraph 2 of subsection (3) shall as soon as practical withdraw from the trust account the amount of the money that belongs to him or her.

One or more trust accounts

(5) A licensee may keep one or more trust accounts.

Irrevocable written authorization

(6) Subject to subsection (7), a licensee who keeps a trust account shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the licensee comply with the requirements of the by-laws.

Irrevocable written authorization: firm of licensees

(7) If a trust account is kept by a firm of licensees, a licensee who has signing authority on the trust account and who is designated by the firm to do so shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the firm comply with the requirements of the by-laws.

(8) The licensee mentioned in subsections (6) and (7) shall provide the irrevocable valid written authorization to the Society,

(a) by not later than,

(i) March 31, 2027, in the case of a trust account that is open on the day subsection (6) comes into force; or

(ii) 30 days after a trust account is opened; and

(b) by not later than the time specified by the Society in any year after the year in which the irrevocable valid written authorization is first required to be provided under clause (a).

Money not to be paid into trust account

8. (1) A licensee is not required to pay into a trust account money which he or she receives in trust for a client if,

(a) the licensee pays the money into an account to be kept in the name of the client, a person named by the client or an agent of the client;

(b) the licensee pays the money immediately upon receiving it to the client or to a person on behalf of the client in accordance with ordinary business practices;

(c) unless otherwise required by the applicable Act or regulation, during a period prescribed in an Act or regulation permitting a purchaser to rescind an agreement of purchase and sale the licensee, in relation to the agreement, holds a negotiable instrument other than cash to be credited towards the purchase price which the licensee will either return to the purchaser or pay into a trust account upon the expiry of the prescribed period; or

(d) the licensee receives cash, in an amount not exceeding 100 Canadian dollars, as consideration to establish a trust, and the licensee holds the coin or bank note as trust property.

Same

(2) A licensee shall not pay into a trust account the following money:

1. Money that belongs entirely to the licensee or to another licensee of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, including an amount received as a general retainer for which the licensee is not required either to account or to provide services.

2. Money that is received by the licensee as payment of fees for services for which a billing has been delivered, as payment of fees for services already performed for which a billing will be delivered immediately after the money is received or as reimbursement for disbursements made or expenses incurred by the licensee on behalf of a client.

3. Money that is not directly related to legal services being provided by the licensee.

Exception

(2.1) Despite subsection (2), a licensee may pay into a trust account money that belongs entirely to the licensee or to another licensee of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, where the money is wholly related to:

- (a) legal services received by the licensee from another licensee of the firm, or
- (b) legal services provided by the licensee to the other licensee.

Record keeping requirements

(3) A licensee who, in accordance with subsection (1), does not pay into a trust account money which he or she receives in trust for a client shall include all handling of such money in the records required to be maintained under Part V.

Time limit on holding money in trust account

8.1. A licensee shall not keep in a trust account money related to legal services being provided by the licensee beyond a minimally reasonable amount of time after the legal services have been performed.

Withdrawal of money from trust account

9. (1) A licensee may withdraw from a trust account only the following money:

- 1. Money properly required for payment to a client or to a person on behalf of a client.
- 2. Money required to reimburse the licensee for money properly expended on behalf of a client or for expenses properly incurred on behalf of a client.

3. Money properly required for or toward payment of fees for services performed by the licensee for which a billing has been delivered.
4. Money that is directly transferred into another trust account and held on behalf of a client.
5. Money that under this Part should not have been paid into a trust account but was through inadvertence paid into a trust account.

Permission to withdraw other money

(2) A licensee may withdraw from a trust account money other than the money mentioned in subsection (1) if he or she has been authorized to do so by the Society.

Limit on amount withdrawn from trust account

(3) A licensee shall not at any time with respect to a client withdraw from a trust account under this section more money than is held on behalf of that client in that trust account at that time.

Manner in which certain money may be withdrawn from trust account

10. A licensee shall withdraw money from a trust account under paragraph 2 or 3 of subsection 9 (1) only,

- (a) by a cheque drawn in favour of the licensee;
 - (b) by a transfer to a bank account that is kept in the name of the licensee and is not a trust account;
- or
- (c) by electronic transfer.

Withdrawal by cheque

11. A cheque drawn on a trust account shall not be,

- (a) made payable either to cash or to bearer; or
- (b) signed by a person who is not a licensee except in exceptional circumstances and except when the person has signing authority on the trust account on which a cheque will be drawn and is bonded in an amount at least equal to the maximum balance on deposit during the immediately preceding fiscal year of the licensee in all the trust accounts on which signing authority has been delegated to the person.

Withdrawal by electronic transfer

12. (1) Money withdrawn from a trust account by electronic transfer shall be withdrawn only in accordance with this section.

When money may be withdrawn

(2) Money shall not be withdrawn from a trust account by electronic transfer unless the following conditions are met:

1. The licensee must ensure that each user authorized to access the electronic transfer system used by the licensee has a unique user login and password or access code.
2. The electronic transfer system used by the licensee must be one that will produce, immediately after the electronic transfer of money a confirmation of the transfer.

3. The confirmation required by paragraph 2 must contain,

- i. the number of the trust account from which money is drawn,
- ii. the name, branch name and address of the financial institution where the account to which money is transferred is kept,
- iii. the name of the person or entity in whose name the account to which money is transferred is kept,
- iv. the number of the account to which money is transferred,
- v. the time and date that the data describing the details of the transfer and authorizing the financial institution to carry out the transfer are received by the financial institution, and
- vi. the time and date that the confirmation from the financial institution is sent to the licensee.

4. Before the electronic transfer system used by the licensee is accessed to carry out an electronic transfer of money, an electronic trust transfer requisition must be signed by,

- i. a licensee, or
- ii. in exceptional circumstances, a person who is not a licensee if the person has signing authority on the trust account from which the money will be drawn and is bonded in an amount at least equal to the maximum balance on deposit during the immediately preceding fiscal year of the licensee in all trust accounts on which signing authority has been delegated to the person.

5. The electronic trust transfer requisition required under paragraph 4 must be in Form 9A.

6. The data entered into the electronic trust transfer system describing the details of the transfer and authorizing the financial institution to carry out the transfer must be as specified in the electronic trust transfer requisition.

Who may withdraw money

(3) Money shall only be withdrawn from a trust account by electronic transfer,

(a) by a single licensee authorized to access the electronic transfer system using their unique user log-in and password or access code, or

(b) by two persons authorized to access the electronic transfer system and using a dual authentication process that requires,

(i) one person, using their unique user log-in and password or access code, to enter into the system the data describing the details of the transfer, and

(ii) the other person, using their unique user log-in and password or access code, to enter into the system the data authorizing the financial institution to carry out the transfer.

Same

(4) In exceptional circumstances, money may be withdrawn from a trust account by electronic transfer by a single person who is not a licensee, if the person has signing authority on the trust account from which the money will be drawn and is bonded in an amount at least equal to the maximum balance on

deposit during the immediately preceding fiscal year of the licensee in all trust accounts on which signing authority has been delegated to the person.

Additional requirements relating to confirmation

(5) Not later than the close of the banking day immediately after the day on which the confirmation required by paragraph 2 of subsection (2) is sent to a licensee, the licensee or another licensee of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, shall,

- (a) produce a printed copy of the confirmation;
- (b) compare the printed copy of the confirmation and the signed electronic trust transfer requisition relating to the transfer to verify whether the money was drawn from the trust account as specified in the signed requisition;
- (c) indicate on the printed copy of the confirmation the name of the client, the subject matter of the file and any file number in respect of which money was drawn from the trust account; and
- (d) after complying with clauses (a) to (c), sign and date the printed copy of the confirmation.

Same

(6) In exceptional circumstances, the tasks required by subsection (5) may be performed by a person other than a licensee, if the person has signing authority on the trust account from which the money will be drawn and is bonded in an amount at least equal to the maximum balance on deposit during the immediately preceding fiscal year of the licensee in all trust accounts on which signing authority has been delegated to the person.

13. Revoked.

Requirement to maintain sufficient balance in trust account

14. Despite any other provision in this Part, a licensee shall at all times maintain sufficient balances on deposit in his or her trust accounts to meet all his or her obligations with respect to money held in trust for clients.

AUTOMATIC WITHDRAWALS FROM TRUST ACCOUNTS

Authorizing Teranet to withdraw money from trust account

15. (1) Subject to subsection (2), a licensee may authorize Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction.

Conditions

(2) A licensee shall not authorize Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction unless Teranet agrees to provide to the licensee in accordance with subsection (3) a confirmation of the withdrawal that contains the information mentioned in subsection (4).

Time of receipt of confirmation

(3) The confirmation required under subsection (2) must be received by the licensee not later than 5 p.m. on the day immediately after the day on which the withdrawal is authorized by the licensee.

Contents of confirmation

(4) The confirmation required under subsection (2) must contain,

- (a) the amount of money withdrawn from the trust account;
- (b) the time and date that the authorization to withdraw money is received by Teranet; and
- (c) the time and date that the confirmation from Teranet is sent to the licensee.

Written record of authorization

(5) A licensee who authorizes Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction shall record the authorization in writing.

Same

(6) The written record of the authorization required under subsection (5) shall be in Form 9B and shall be completed by the licensee before he or she authorizes Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction.

Additional requirements relating to confirmation

(7) Not later than 5 p.m. on the day immediately after the day on which the confirmation required under subsection (2) is sent to a licensee, the licensee shall,

- (a) produce a paper copy of the confirmation, if the confirmation is sent to the licensee by electronic means;
- (b) compare the paper copy of the confirmation and the written record of the authorization relating to the withdrawal to verify whether money was withdrawn from the trust account by Teranet as authorized by the licensee;
- (c) indicate on the paper copy of the confirmation the name of the client and any file number in respect of which money was withdrawn from the trust account, if the confirmation does not already contain such information; and
- (d) after complying with clauses (a) to (c), sign and date the paper copy of the confirmation.

Special trust account

16. (1) The trust account from which Teranet may be authorized by a licensee to withdraw money shall be,

- (a) an account at a bank listed in Schedule I or II to the *Bank Act* (Canada), a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies or a registered trust corporation kept in the name of the licensee or in the name of the firm of licensees of which the licensee is a partner, through which the licensee practises law or by which the licensee is employed, and designated as a trust account; and

(b) an account into which a licensee shall pay only,

(i) money received in trust for a client for the purposes of paying the document registration fees and the land transfer tax, if any, related to the client's real estate transaction; and

(ii) money properly withdrawn from another trust account for the purposes of paying the document registration fees and the land transfer tax, if any, related to the client's real estate transaction.

One or more special trust accounts

(2) A licensee may keep one or more trust accounts of the kind described in subsection (1).

Payment of money into special trust account

(3) A licensee shall not pay into a trust account described in subsection (1) more money than is required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction, and if more money is, through inadvertence, paid into the trust account, the licensee shall transfer from the trust account described in subsection (1) into another trust account that is not a trust account described in subsection (1) the excess money.

Time limit on holding money in special trust account

(4) A licensee who pays money into a trust account described in subsection (1) shall not keep the money in that account for more than ten days, and if the money is not properly withdrawn from that account by Teranet within ten days after the day on which it is paid into that account, the licensee shall transfer the money from that account into another trust account that is not a trust account described in subsection (1).

Interpretation: counting days

(5) In subsection 16 (4), holidays shall not be counted in determining if money has been kept in a trust account described in subsection 16 (1) for more than ten days.

Application of ss. 9, 11, 12 and 14

17. Sections 9, 11, 12 and 14 apply, with necessary modifications, to a trust account described in subsection 16 (1).

PART V

RECORD KEEPING REQUIREMENTS

REQUIREMENTS

Requirement to maintain financial records

18. Every licensee shall maintain financial records to record all money and other property received and disbursed in connection with the licensee's professional business, and, as a minimum requirement, every licensee shall maintain, in accordance with sections 21, 22 and 23, the following records:

1. A book of original entry identifying each date on which money is received in trust for a client, the method by which money is received, the person from whom money is received, the amount of money received, the purpose for which money is received and the client for whom money is received in trust.
2. A book of original entry showing all disbursements out of money held in trust for a client and identifying each date on which money is disbursed, the method by which money is disbursed, including the number or a similar identifier of any document used to disburse money, the person to whom money is disbursed, the amount of money which is disbursed, the purpose for which money is disbursed and the client on whose behalf money is disbursed.
3. A clients' trust ledger showing separately for each client for whom money is received in trust all money received and disbursed and any unexpended balance.
4. A record showing all transfers of money between clients' trust ledger accounts and explaining the purpose for which each transfer is made.
5. A book of original entry showing all money received, other than money received in trust for a client, and identifying each date on which money is received, the method by which money is received, the amount of money which is received and the person from whom money is received.
6. A book of original entry showing all disbursements of money, other than money held in trust for a client, and identifying each date on which money is disbursed, the method by which money is disbursed, including the number or a similar identifier of any document used to disburse money, the amount of money which is disbursed and the person to whom money is disbursed.
7. A fees book or a chronological file of copies of billings, showing all fees charged and other billings made to clients and the dates on which fees are charged and other billings are made to clients and identifying the clients charged and billed.
8. A record, signed by the licensee who prepared or approved it, showing a comparison made monthly of the total of balances held in the trust account or accounts and the total of all unexpended balances of funds held in trust for clients as they appear from the financial records together with the reasons for any differences between the totals, and the following records, signed by the licensee who prepared or approved them, to support the monthly comparisons:
 - i. A detailed listing made monthly showing the amount of money held in trust for each client and identifying each client for whom money is held in trust.
 - ii. A detailed reconciliation made monthly of each trust bank account.
9. A record showing all property, other than money, held in trust for clients, and describing each property and identifying the date on which the licensee took possession of each property, the person who had possession of each property immediately before the licensee took possession of the property, the value of each property, the client for whom each property is held in trust, the date on which possession of each property is given away and the person to whom possession of each property is given.
10. Bank statements or pass books, images of cleared cheques and detailed duplicate deposit slips for all trust and general accounts.
11. Signed electronic trust transfer requisitions and signed printed confirmations of electronic transfers of trust money.
12. Signed authorizations of withdrawals by Teranet and signed paper copies of confirmations of withdrawals by Teranet.

Record keeping requirements if cash received

19. (1) Every licensee who receives cash shall maintain financial records in addition to those required under sections 18 and 19.1 and, as a minimum additional requirement, shall maintain, in accordance with sections 21, 22 and 23, a book of duplicate receipts, with each receipt identifying the date on which cash is received, the person from whom cash is received, the amount of cash received, the client for whom cash is received and any file number in respect of which cash is received and containing the signature of the licensee or the person authorized by the licensee to receive cash and of the person from whom cash is received.

No breach

(2) A licensee does not breach subsection (1) if a receipt does not contain the signature of the person from whom cash is received provided that the licensee has made reasonable efforts to obtain the signature of the person from whom cash is received.

Record keeping requirements if referral fee paid or received

19.1. Every licensee who pays or receives a referral fee, in addition to maintaining the financial records required under section 18, shall maintain, in accordance with sections 21, 22, and 23 the following records:

1. A record showing all referral fees received and identifying the date on which each referral fee is received, the method by which each referral fee is received, the amount of each referral fee, the licensee from whom each referral fee is received and the client in connection to whom each referral fee is received.
2. A record showing all referral fees paid and identifying the date on which each referral fee is paid, the method by which each referral fee is paid, including the number or a similar identifier of any document used to pay the referral fee, the amount of each referral fee, the licensee to whom each referral fee is paid, and the client in connection to whom each referral fee is paid.
3. All documents related to each referral fee transaction, including any agreement the Society may require the licensee to enter into in relation to each referral fee transaction.

Record keeping requirements if mortgages and other charges held in trust for clients

20. Every licensee who holds in trust mortgages or other charges on real property, either directly or indirectly through a related person or corporation, shall maintain financial records in addition to those required under section 18 and, as a minimum additional requirement, shall maintain, in accordance with sections 21, 22 and 23, the following records:

1. A mortgage asset ledger showing separately for each mortgage or charge,
 - i. all funds received and disbursed on account of the mortgage or charge,
 - ii. the balance of the principal amount outstanding for each mortgage or charge,
 - iii. an abbreviated legal description or the municipal address of the real property, and
 - iv. the particulars of registration of the mortgage or charge.
2. A mortgage liability ledger showing separately for each person on whose behalf a mortgage or charge is held in trust,

- i. all funds received and disbursed on account of each mortgage or charge held in trust for the person,
- ii. the balance of the principal amount invested in each mortgage or charge,
- iii. an abbreviated legal description or the municipal address for each mortgaged or charged real property, and
- iv. the particulars of registration of each mortgage or charge.

3. A record showing a comparison made monthly of the total of the principal balances outstanding on the mortgages or charges held in trust and the total of all principal balances held on behalf of the investors as they appear from the financial records together with the reasons for any differences between the totals, and the following records to support the monthly comparison:

- i. A detailed listing made monthly identifying each mortgage or charge and showing for each the balance of the principal amount outstanding.
- ii. A detailed listing made monthly identifying each investor and showing the balance of the principal invested in each mortgage or charge.

Financial records to be permanent

21. (1) The financial records required to be maintained under sections 18, 19, 19.1 and 20 may be entered and posted by hand or by mechanical or electronic means, but if the records are entered and posted by hand, they shall be entered and posted in ink.

Paper copies of financial records

(2) If a financial record is entered and posted by mechanical or electronic means, a licensee shall ensure that a paper copy of the record may be produced promptly on the Society's request.

Financial records to be current

22. (1) Subject to subsection (2), the financial records required to be maintained under sections 18, 19, 19.1 and 20 shall be entered and posted so as to be current at all times.

Exceptions

(2) The record required under paragraph 8 of section 18 and the record required under paragraph 3 of section 20 shall be created within twenty-five days after the last day of the month in respect of which the record is being created.

Preservation of financial records required under ss. 18, 19 and 19.1

23. (1) Subject to subsection (2), a licensee shall keep the financial records required to be maintained under sections 18, 19 and 19.1 for at least the six year period immediately preceding the licensee's most recent fiscal year end.

Same

(2) A licensee shall keep the financial records required to be maintained under paragraphs 1, 2, 3, 8, 9, 10 and 11 of section 18 for at least the ten year period immediately preceding the licensee's most recent fiscal year end.

Preservation of financial records required under s. 20

(3) A licensee shall keep the financial records required to be maintained under section 20 for a mortgage or other charge for at least the ten year period immediately following either,

- (a) the discharge of the mortgage or other charge; or
- (b) the day the licensee ceases to be trustee of the mortgage or other charge.

Record keeping requirements when acting for lender

24. (1) Every licensee who acts for or receives money from a lender shall, in addition to maintaining the financial records required under sections 18 and 20, maintain a file for each charge, containing,

- (a) a completed investment authority, signed by each lender before the first advance of money to or on behalf of the borrower;
- (b) a copy of a completed report on the investment;
- (c) if the charge is not held in the name of all the lenders and a declaration of trust or copy thereof is provided to the licensee, a copy of the declaration of trust;
- (d) if the charge is not held in the name of all the lenders and the charge is held in trust by the licensee, an original declaration of trust;
- (e) a copy of the registered charge; and
- (f) any supporting documents supplied by the lender.

Exceptions

(2) Clauses (1) (a) and (b) do not apply with respect to a lender if,

- (a) the lender,

- (i) is a bank listed in Schedule I or II to the *Bank Act* (Canada), a licensed insurer, a registered loan or trust corporation, a subsidiary of any of them, a pension fund, or any other entity that lends money in the ordinary course of its business,

- (ii) has entered a loan agreement with the borrower and has signed a written commitment setting out the terms of the prospective charge, and

- (iii) has given the licensee a copy of the written commitment before the advance of money to or on behalf of the borrower;

- (b) the lender and borrower are related persons;

- (c) the lender has executed the Investor/Lender Disclosure Statement for Brokered Transactions, approved by the Chief Executive Officer under subsection 54 (1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, and has given the licensee written instructions, relating to the particular transaction, to accept the executed disclosure statement as proof of the loan agreement;

- (d) the lender is selling real property to the borrower and the charge represents part of the purchase price.

Same

(2.1) Clause (1) (c) does not apply with respect to a lender if the lender,

(i) is a bank listed in Schedule I or II to the *Bank Act* (Canada), a licensed insurer, a registered loan or trust corporation, a subsidiary of any of them, a pension fund, or any other entity that lends money in the ordinary course of its business,

(ii) has entered a loan agreement with the borrower and has signed a written commitment setting out the terms of the prospective charge, and

(iii) has given the licensee a copy of the written commitment before the advance of money to or on behalf of the borrower.

Requirement to provide documents to lender

(3) Forthwith after the first advance of money to or on behalf of the borrower, the licensee shall deliver to each lender,

(a) if clause (1) (b) applies, a copy of the report referred to therein addressed to the lender and bearing the licensee's signature; and

(b) if clause (1) (c) applies, a copy of the declaration of trust.

Requirement to add to file maintained under subs. (1)

(4) Each time the licensee or any licensee of the same firm of licensees does an act described in subsection (5), the licensee shall add to the file maintained for the charge the investment authority referred to in clause (1) (a), completed anew and signed by each lender before the act is done, and a copy of the report on the investment referred to in clause (1) (b), also completed anew.

Application of subs. (4)

(5) Subsection (4) applies in respect of the following acts:

1. Making a change in the priority of the charge that results in a reduction of the amount of security available to it.

2. Making a change to another charge of higher priority that results in a reduction of the amount of security available to the lender's charge.

3. Releasing collateral or other security held for the loan.

4. Releasing a person who is liable under a covenant with respect to an obligation in connection with the loan.

New requirement to provide documents to lender

(6) Forthwith after completing anew the report on the investment under subsection (4), the licensee shall deliver to each lender a copy of it addressed to the lender and bearing the licensee's signature.

Requirement to add to file maintained under subs. (1): substitution

(7) Each time the licensee or any other licensee of the same firm of licensees substitutes for the charge another security or a financial instrument that is an acknowledgment of indebtedness, the licensee shall add to the file maintained for the charge the lender's written consent to the substitution, obtained before the substitution is made.

Exceptions

(8) The licensee need not comply with subsection (4) or (7) with respect to a lender if clause (2) (a), (b) or (d) applied to the lender in the original loan transaction.

Investment authority: Form 9C

(9) The investment authority required under clause (1) (a) shall be in Form 9C.

Report on investment: Form 9D

(10) The report on the investment required under clause (1) (b) shall be in Form 9D.



Tab 2.1

Professional Regulation Committee

For Decision

Trust Account Management and Enforcement: Authorization to compel production of trust account records

February 26, 2026

Committee Members:

Rebecca Durcan (Chair)
Jonathan Rosenthal (Vice-Chair)
Matthew Wilson (Vice-Chair)
Daly Canie
Neha Chugh
Jennifer Gold
Michelle Lomazzo
William McDowell
Geneviève Painchaud
Kevin Ross
Quinn Ross
Margaret Waddell
Kathryn Whitehead

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Motion

That Convocation approve the Motion at **Tab 2.1.1** to amend By-Law 9 by requiring prescribed licensees to provide the Law Society with a valid, irrevocable Authorization directing the financial institution holding their trust account to produce trust account records to the Law Society upon request.

Context

The proposed amendments to By-Law 9 introduce an Authorization that seeks to enable the Law Society to obtain licensee trust account records in prescribed circumstances. This measure forms part of the Trust Account Management and Enforcement (TAME) project, an ongoing, multi-pronged initiative of the Professional Regulation Committee (the “Committee”) aimed at strengthening public protection through coordinated operational and policy reforms, including enhanced oversight of licensee trust account activity. Collectively, these tools support early identification of account-management concerns and improve the Law Society’s ability to intervene promptly and effectively in the public interest.

The trust placed in legal representatives to hold funds or other property for the benefit of their clients is a privilege, accompanied by both professional responsibilities and fiduciary obligations. Licensee professional obligations are detailed in the *Law Society Act*¹ (“Act”), the Law Society’s by-laws, and the rules of conduct applicable to lawyers or paralegals. The Law Society enforces those obligations as a key element of its mandate to protect the public interest. In circumstances where clients are harmed as a result of a licensee’s failure to comply with their professional and fiduciary obligations, the broader profession bears the costs. Those costs include increased Law Society fees to fund forensic audits and investigations in the discipline process and increased compensation fund premiums to cover claims where there has been licensee dishonesty or fraud. Reputational risk to the profession is also at stake when public confidence is harmed as a result of a licensee’s financial misconduct.

The Authorization, alongside other measures flowing from TAME, underscores that licensees, as trustees, are subject to heightened regulatory obligations and oversight. Licensees hold client funds by virtue of their licensure, and the responsibilities associated with that role require a commensurate level of diligence, transparency, and accountability. The Authorization, as a component of the broader TAME initiative, supports a clearer understanding of licensees’ trustee obligations and reinforces the Law Society’s expectation that they maintain practices that are aligned with the seriousness of holding client monies in trust.

¹ [RSO 1990, c. L.8.](#)

Background

In June 2025, the Committee considered and approved, in principle, a requirement for licensees to provide an irrevocable Authorization to the Law Society and presented the measure to Convocation later that month as an update. After engaging in consultation with select stakeholders to inform and refine its approach,² in November 2025, the Committee presented this measure to Convocation with a recommendation to adopt it in principle.³ Convocation voted in favor of that recommendation.

For clarity, the approach adopted by Convocation entails the following:

- Licensees with signing authority over trust accounts would be required to provide the Law Society with an irrevocable Authorization to their financial institution, authorizing the release of the licensee’s trust account records to the Law Society.
- Licensees with signing authority over trust accounts would complete the Authorization as part of the trust account opening process and annually thereafter during the annual reporting process but not as part of the Annual Report.
- The Authorization would be used in the risk assessment process applied by the Spot Audit department or as part of the complaints triage process in determining compliance with the Law Society’s by-laws and the appropriate risk level presented by allegations of financial mishandling, misappropriation, or breaches of anti-money laundering rules and whether that risk warrants a formal investigation.
- To ensure the Authorization is used sparingly and with appropriate caution, approval of the Executive Director, Professional Regulation or the Executive Director, Professional Development and Competence (depending on the context), will be required before it can be executed.⁴

To account for the significant and growing risks posed by AI-generated “deepfake” records, and to eliminate delay in cases where there is a high risk of further misconduct, licensees may not be given an opportunity to provide trust account records to the Law Society before the Authorization is exercised. Although the initial consultation and

² To inform the Committee’s recommendation, selected stakeholders were engaged to gather feedback from licensees. Meetings were held with the Ontario Bar Association (OBA), the Toronto Lawyers Association (TLA), the Federation of Ontario Law Associations (FOLA), the Real Estate Liaison Group (RELG), as well as the Canadian Bankers Association. Additionally, the [Law Society’s website](#) included the [Regulating in the Public Interest – Trust Account Management and Enforcement](#) report and an open call for feedback since July 2025. The August 28, 2025 Licensee Update also explicitly noted the proposed Authorization, along with a request for feedback.

³ See the [Professional Regulation Committee’s report to Convocation, November 27, 2025](#) (Tab 3.3).

⁴ A similar guardrail already exists in the *Act*. Pursuant to section 51(11.1), the Executive Director, Professional Regulation, is authorized to issue a summons requiring the provision of evidence under oath or the production of documents in connection with determining claims made to the Compensation Fund.

materials presented to Convocation suggested that licensees would be permitted to provide financial records before the Law Society exercises the Authorization, the Professional Regulation division has since advised that such a requirement would impose an untenable constraint that may, in some circumstances, undermine the purpose of the Authorization.

From the outset of the TAME project, it has been acknowledged that the Authorization mechanism will not be entirely effective in all circumstances and that there may be variability in how financial institutions—and even individual branches of the same institution—respond to such requests. However, the TAME initiative is a multi-pronged strategy established to achieve an overarching policy objective. The tools currently being implemented and explored, as well as those that will be brought forward by the Committee in the future, are intended to operate collectively and reinforce one another.

Amendments

The motion at **Tab 2.1.1** sets out the proposed amendments as additions to section 7 of By-Law 9⁵, which can be summarized as follows:

- 1. An amendment requiring a licensee who keeps a trust account (or, in the case of a law firm, a designated licensee who has signing authority on the trust account) to provide the Law Society with a valid irrevocable Authorization instructing their financial institution to release trust account records to the Law Society upon request.**

Rationale: Consistent with one of TAME’s overarching objectives – namely, reducing the administrative burden associated with licensee processes – this amendment establishes a streamlined and straightforward method for licensees to submit standardized Authorizations to the Law Society.⁶ It also reduces the number of licensees within a firm who must provide an Authorization, thereby further minimizing administrative demands.

- 2. An amendment requiring a licensee referenced above to provide the Authorization to the Law Society:**

- a. No later than:**

- i. 30 days following the opening of a trust account, or**

⁵ A redlined version of By-Law 9 is at **Tab 2.1.2**.

⁶ Licensees will be provided with a standardized Authorization form that will be submitted to the Law Society via LSO Connects.

ii. **March 31, 2027, for any licensee who holds signing authority on the day these amendments come into force; and**

b. As required by the Law Society in years following the year in which the Authorization is first required.⁷

Rationale: Establishing a clear timeline promotes consistency and predictability, while the ongoing requirement for licensees to provide an Authorization helps ensure that the document on file remains current and effective. Feedback received through consultations indicated that Authorizations executed many years earlier may no longer carry the necessary authority. Although financial institutions may vary in how they respond to such requests, an ongoing renewal process offers the strongest assurance that the Law Society is relying on accurate and up-to-date information, thereby increasing the likelihood of a successful response.

Next Steps

If the Motion at **Tab 2.1.1** is adopted by Convocation, the amendments to By-Law 9 will come into force on May 1, 2026, and staff will prepare the Authorization and establish a submission process through LSO Connects.

⁷ It is anticipated that the Authorization will be required annually and processes will be put in place to operationalize this requirement.

LAW SOCIETY OF ONTARIO
BY-LAWS MADE UNDER
SUBSECTIONS 62 (0.1) AND (1) OF THE *LAW SOCIETY ACT*

BY-LAW 9
[FINANCIAL TRANSACTIONS AND RECORDS]

MOTION TO BE MOVED AT THE MEETING OF CONVOCATION ON FEBRUARY 26, 2026

MOVED BY MATTHEW WILSON

SECONDED BY REBECCA DURCAN

THAT By-Law 9 [Financial Transactions and Records], in force immediately before this motion is moved, be amended as follows:

1. Effective May 1, 2026, the English version of By-Law 9 is amended by adding the following immediately after subsection 7 (5):

Irrevocable written authorization

(6) Subject to subsection (7), a licensee who keeps a trust account shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the licensee comply with the requirements of the by-laws.

Irrevocable written authorization: firm of licensees

(7) If a trust account is kept by a firm of licensees, a licensee who has signing authority on the trust account and who is designated by the firm to do so shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the firm comply with the requirements of the by-laws.

(8) The licensee mentioned in subsections (6) and (7) shall provide the irrevocable valid written authorization to the Society,

(a) by not later than,

(i) March 31, 2027, in the case of a trust account that is open on the day subsection (6) comes into force; or

(ii) 30 days after a trust account is opened; and

(b) by not later than the time specified by the Society in any year after the year in which the irrevocable valid written authorization is first required to be provided under clause (a).

2. Effective May 1, 2026, the French version of By-Law 9 is amended by adding the following immediately after subsection 7 (5):

Autorisation écrite irrévocable

(6) Sous réserve du paragraphe (7), le titulaire de permis qui conserve un compte en fiducie fournira au Barreau une autorisation écrite, valide et irrévocable, donnant droit au Barreau d'enjoindre à l'institution financière où est détenu le compte en fiducie de divulguer au Barreau, à sa demande, les renseignements afférents au compte en fiducie dont a besoin le Barreau pour établir si les registres financiers du titulaire de permis satisfont aux exigences énoncées dans les règlements administratifs.

Autorisation écrite irrévocable : cabinet

(7) Si un compte en fiducie est conservé par un cabinet, le titulaire de permis qui a l'autorisation de signer à l'égard du compte en fiducie et qui est désigné par le cabinet pour le faire fournira au Barreau une autorisation écrite, valide et irrévocable, donnant droit au Barreau d'enjoindre à l'institution financière où est détenu le compte en fiducie de divulguer au Barreau, à sa demande, les renseignements afférents au compte en fiducie dont a besoin le Barreau pour établir si les registres financiers du cabinet satisfont aux exigences énoncées dans les règlements administratifs.

(8) Le titulaire de permis mentionné aux paragraphes (6) et (7) fournira l'autorisation écrite, valide et irrévocable, au Barreau

a) au plus tard :

(i) le 31 mars 2027, si un compte en fiducie est ouvert le jour de l'entrée en vigueur du paragraphe (6);

(ii) 30 jours après l'ouverture d'un compte en fiducie;

b) au plus tard à la date précisée par le Barreau, au cours de toute année postérieure à l'année durant laquelle l'autorisation écrite, valide et irrévocable, doit être fournie pour la première fois en application de l'alinéa a).

BY-LAW 9

Made: May 1, 2007
Amended: June 28, 2007
January 24, 2008
February 21, 2008
March 20, 2009 (editorial changes)
September 29, 2009 (editorial changes)
April 28, 2011
May 3, 2011 (editorial changes)
October 19, 2015 (editorial changes)
April 27, 2017
May 27, 2021 (effective January 1, 2022)
October 1, 2021
October 18, 2021 (editorial changes)
May 12, 2023 (editorial changes)
November 27, 2025
December 16, 2025 (editorial changes)

FINANCIAL TRANSACTIONS AND RECORDS

PART I

INTERPRETATION

Interpretation

1. (1) In this By-Law,

“cash” means current coin within the meaning of the *Currency Act* (Canada), notes intended for circulation in Canada issued by the Bank of Canada pursuant to the *Bank of Canada Act* and current coin or bank notes of countries other than Canada;

“charge” has the same meaning given it in the *Land Registration Reform Act*;

“client” means a person or group of persons from whom or on whose behalf a licensee receives money or other property;

“electronic” has the same meaning given it in the *Electronic Commerce Act, 2000*;

“electronic signature” has the same meaning given it in the *Electronic Commerce Act, 2000*;

“firm of licensees” means,

- (a) a partnership of licensees and all licensees employed by the partnership,
- (b) a professional corporation established for the purpose of practising law in Ontario and all licensees

employed by the professional corporation,

(c) a professional corporation established for the purpose of providing legal services in Ontario and all licensees employed by the professional corporation, or

(d) a professional corporation established for the purpose of practising law and providing legal services in Ontario and all licensees employed by the professional corporation;

“funds” means cash, currency, securities and negotiable instruments or other financial instruments that indicate the person’s title or right to or interest in them;

“holiday” means,

(a) any Saturday or Sunday,

(b) New Year’s Day, and where New Year’s Day falls on a Saturday or Sunday, the following Monday,

(c) Family Day,

(d) Good Friday,

(e) Easter Monday,

(f) Victoria Day,

(g) Canada Day, and where Canada Day falls on a Saturday or Sunday, the following Monday,

(h) Civic Holiday,

(i) Labour Day,

(j) National Day for Truth and Reconciliation

(k) Thanksgiving Day,

(l) Remembrance Day, and where Remembrance Day falls on a Saturday or Sunday, the following Monday,

(m) Christmas Day, and where Christmas Day falls on a Saturday or Sunday, the following Monday and Tuesday, and where Christmas Day falls on a Friday, the following Monday,

(n) Boxing Day, and

(o) any special holiday proclaimed by the Governor General or the Lieutenant Governor;

“lender” means a person who is making a loan that is secured or to be secured by a charge, including a charge to be held in trust directly or indirectly through a related person or corporation;

“licensee” includes a firm of licensees;

“money” includes cash, cheques, drafts, credit card sales slips, post office orders and express and bank money orders;

“related person” has the same meaning given to the singular of “related persons” in the *Income Tax Act* (Canada);

“Teranet” means Teranet Inc., a corporation incorporated under the *Business Corporations Act*, acting as agent for the Ministry of Public and Business Service Delivery.

Time for doing an act expires on a holiday

(2) Except where a contrary intention appears, if the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

When deemed in trust

(3) For the purposes of subsections 9 (1), (2) and (3) and section 14, cash, cheques negotiable by the licensee, cheques drawn by the licensee on the licensee's trust account and credit card sales slips in the possession and control of the licensee shall be deemed from the time the licensee receives such possession and control to be money held in a trust account if the cash, cheques or credit card sales slips, as the case may be, are deposited in the trust account not later than the following banking day.

Electronic documents

(4) A requirement that information, a document or a record be in writing or printed is satisfied by information, a document or a record that is in electronic form if it is accessible so as to be useable for subsequent reference, and a reference to a book, ledger or statement includes an electronic version of the book, ledger or statement.

Electronic Signatures

(5) A requirement that a document or record be signed is satisfied by an electronic signature.

Alternative to Forms A, B, C and D

(6) A requirement that certain information be recorded on a specified Form may be satisfied by a document in another format recording all the information required by the specified Form.

PART II**HANDLING OF MONEY BY BANKRUPT LICENSEE****Handling of money by bankrupt licensee**

2. (1) Subject to subsections (2) and (3), a licensee who is bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada) shall not receive from or on behalf of a person or group of persons any money or other property and shall not otherwise handle money or other property that is held in trust for a person or group of persons.

Exception

(2) A licensee who is bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada) may receive from or on behalf of a person or group of persons money,

- (a) in payment of fees for services performed by the licensee for the person or group; or
- (b) in reimbursement for money properly expended, or for expenses properly incurred, on behalf of the person or group.

Same

(3) A licensee who is bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada) may apply in writing to the Society for permission to receive from or on behalf of a person or group of persons any money or other property, other than as permitted under subsection (2), or for permission to handle money or other property that is held in trust for a person or group of persons, and the Society may permit the licensee to do so, subject to such terms and conditions as the Society may impose.

PART II.1**HANDLING OF MONEY BY LICENSEE WHOSE LICENCE IS SUSPENDED****Interpretation**

2.1. In this Part,

“suspended licensee” means a licensee who is the subject of a suspension order;

“suspension order” means an order made under the Act suspending a licensee’s licence to practise law in Ontario as a barrister and solicitor or to provide legal services in Ontario, regardless of whether the suspension begins when the order is made or thereafter.

Handling of money by suspended licensee

2.2. (1) Subject to subsection (2) and section 2.3, a suspended licensee shall not, during the suspension receive from or on behalf of a person or group of persons any money or other property and shall not otherwise handle money or other property that is held in trust for a person or group of persons.

Exception

(2) A suspended licensee may receive from or on behalf of a person or group of persons money,

- (a) in payment of fees for services performed by the suspended licensee for the person or group; or
- (b) in reimbursement for money properly expended, or for expenses properly incurred, on behalf of the person or group.

Trust account

2.3. (1) A suspended licensee shall, within 30 days of the beginning of the suspension,

(a) withdraw from every trust account kept in the name of the suspended licensee, or in the name of the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed, and, as required, pay to the appropriate person,

- (i) money properly required for payment to a person on behalf of a client,
 - (ii) money required to reimburse the suspended licensee for money properly expended, or for expenses properly incurred, on behalf of a client,
 - (iii) money required for or toward payment of fees for services performed by the suspended licensee,
- and
- (iv) all other money that belongs to the suspended licensee or to a person other than a client;

(b) after complying with clause (a), withdraw from every trust account kept in the name of the suspended licensee, or in the name of the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed, all money belonging to a client and pay the money to,

(i) the client,
(ii) another licensee to whom the client has directed the suspended licensee to make payment, or
(iii) another licensee who has agreed with the suspended licensee to accept payment in the event that the suspended licensee is unable to comply with subclause (i) or (ii); and

(c) after complying with clauses (a) and (b),

(i) close every trust account that was kept in the name of the suspended licensee, and
(ii) cancel or cause to be cancelled the suspended licensee's signing authority on every trust account that was kept in the name of the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed.

Compliance with clause (1) (b) not required

(2) A suspended licensee is not required to comply with clause (1) (b) if the client's file is transferred, in accordance with Part IV of By-Law 7.1, to another licensee in the firm of licensees of which the suspended licensee is a partner or by which the suspended licensee is employed.

Application of sections of Part IV

(3) Subsection 9 (3) and sections 10, 11 and 12 apply to the withdrawal of money from a trust account under this section.

Report to Society on compliance

(4) A suspended licensee shall, not later than thirty days after the suspension begins, complete and file with the Society, in a form provided by the Society, a report confirming and providing details of the suspended licensee's compliance with this section.

Permission to be exempt from requirement

2.4. A suspended licensee may apply in writing to the Society for an exemption from or a modification of a requirement mentioned in this Part, and the Society may exempt the suspended licensee from or modify the requirement, subject to such terms and conditions as the Society may impose.

PART III

CASH TRANSACTIONS

Definition

3. In this Part,

"public body" means,

- (a) a ministry, department or agent of the government of Canada or of a province or territory of Canada,
- (b) a municipality incorporated by or under an Act of a province or territory of Canada, including a city, town, village, metropolitan or regional municipality, township, district, county, rural municipality, any other incorporated municipal body and an agent of any of them,
- (c) a local board of a municipality incorporated by or under an Act of a province or territory of Canada, including any local board as defined in the Municipal Act and any similar body incorporated under the law of another province or territory,
- (d) an organization that operates a public hospital and that is designated by the Minister of National Revenue as a hospital authority under the Excise Tax Act (Canada) or an agent of the organization,
- (e) a body incorporated by or under an Act of Canada or of a province or territory of Canada for a public purpose, or
- (f) a subsidiary of an entity mentioned in clauses (a) to (e) where the financial statements of the subsidiary are consolidated with the financial statements of the entity.

Cash received

4. (1) A licensee shall not receive or accept from a person, in respect of any one client file, cash in an aggregate amount of more than 7,500 Canadian dollars.

Foreign currency

(2) For the purposes of this section, when a licensee receives or accepts from a person cash in a foreign currency the licensee shall be deemed to have received or accepted the cash converted into Canadian dollars at,

- (a) the official conversion rate of the Bank of Canada for the foreign currency as published in the Bank of Canada's Daily Noon Rates that is in effect at the time the licensee receives or accepts the cash; or
- (b) if the day on which the licensee receives or accepts cash is a holiday, the official conversion rate of the Bank of Canada in effect on the most recent business day preceding the day on which the licensee receives or accepts the cash.

Application

5. Section 4 applies when, in respect of a client file, a licensee engages in or gives instructions in respect of the following activities:

1. The licensee receives or pays funds.
2. The licensee purchases or sells securities, real properties or business assets or entities.
3. The licensee transfers funds by any means.

Exceptions

6. Despite section 5, section 4 does not apply when the licensee, in connection with the provision of legal services by the licensee,

- (a) receives cash from a public body, an authorized foreign bank within the meaning of section 2 of the Bank Act (Canada) in respect of its business in Canada or a bank to which the Bank Act (Canada) applies,

a cooperative credit society, savings and credit union or caisse populaire that is regulated by a provincial or territorial Act, an association that is regulated by the Cooperative Credit Associations Act (Canada), a financial services cooperative that is regulated by An Act respecting financial services cooperatives (Quebec) or An Act respecting the Mouvement Desjardins (Quebec) and that is not a caisse populaire, a credit union central or a federation of credit unions or caisses populaires that is regulated by a provincial, other than Quebec, or territorial Act, a company that is regulated by the Trust and Loan Companies Act (Canada), a trust company or loan company that is regulated by a provincial or territorial Act or a department or agent of Her Majesty in right of Canada or of a province or territory where the department or agent accepts deposit liabilities in the course of providing financial services to the public;

(b) receives cash from a peace officer, law enforcement agency or other agent of the Crown acting in an official capacity;

(c) receives cash to pay a fine, a penalty or bail; or

(d) receives cash for fees, disbursements or expenses, provided that any refund out of such receipts is also made in cash.

PART IV

TRUST ACCOUNT

TRUST ACCOUNT TRANSACTIONS

Money received in trust for client

7. (1) Subject to section 8, every licensee who receives money in trust for a client shall immediately pay the money into an account at a bank listed in Schedule I or II to the *Bank Act* (Canada), a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies or a registered trust corporation, to be kept in the name of the licensee, or in the name of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, and designated as a trust account.

Interpretation

(2) For the purposes of subsection (1), a licensee receives money in trust for a client if the licensee receives from a person,

(a) money that belongs in whole or in part to a client;

(b) money that is to be held on behalf of a client;

(c) money that is to be held on a client's direction or order;

(d) money that is advanced to the licensee on account of fees for services not yet rendered; or

(e) money that is advanced to the licensee on account of disbursements not yet made.

Money to be paid into trust account

(3) In addition to the money required under subsection (1) to be paid into a trust account, a licensee shall pay the following money into a trust account:

1. Money that may by inadvertence have been drawn from a trust account in contravention of section 9.

2. Money paid to a licensee that belongs in part to a client and in part to the licensee where it is not practical to split the payment of the money.

Withdrawal of money from trust account

(4) A licensee who pays into a trust account money described in paragraph 2 of subsection (3) shall as soon as practical withdraw from the trust account the amount of the money that belongs to him or her.

One or more trust accounts

(5) A licensee may keep one or more trust accounts.

Irrevocable written authorization

(6) Subject to subsection (7), a licensee who keeps a trust account shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the licensee comply with the requirements of the by-laws.

Irrevocable written authorization: firm of licensees

(7) If a trust account is kept by a firm of licensees, a licensee who has signing authority on the trust account and who is designated by the firm to do so shall provide to the Society an irrevocable valid written authorization directing the financial institution where the trust account is kept to disclose to the Society upon its request information relating to the trust account necessary for the Society to determine whether the financial records of the firm comply with the requirements of the by-laws.

(8) The licensee mentioned in subsections (6) and (7) shall provide the irrevocable valid written authorization to the Society,

(a) by not later than,

(i) March 31, 2027, in the case of a trust account that is open on the day subsection (6) comes into force; or

(ii) 30 days after a trust account is opened; and

(b) by not later than the time specified by the Society in any year after the year in which the irrevocable valid written authorization is first required to be provided under clause (a).

Money not to be paid into trust account

8. (1) A licensee is not required to pay into a trust account money which he or she receives in trust for a client if,

(a) the licensee pays the money into an account to be kept in the name of the client, a person named by the client or an agent of the client;

(b) the licensee pays the money immediately upon receiving it to the client or to a person on behalf of the client in accordance with ordinary business practices;

(c) unless otherwise required by the applicable Act or regulation, during a period prescribed in an Act or regulation permitting a purchaser to rescind an agreement of purchase and sale the licensee, in relation to the agreement, holds a negotiable instrument other than cash to be credited towards the purchase price which the licensee will either return to the purchaser or pay into a trust account upon the expiry of the prescribed period; or

(d) the licensee receives cash, in an amount not exceeding 100 Canadian dollars, as consideration to establish a trust, and the licensee holds the coin or bank note as trust property.

Same

(2) A licensee shall not pay into a trust account the following money:

1. Money that belongs entirely to the licensee or to another licensee of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, including an amount received as a general retainer for which the licensee is not required either to account or to provide services.

2. Money that is received by the licensee as payment of fees for services for which a billing has been delivered, as payment of fees for services already performed for which a billing will be delivered immediately after the money is received or as reimbursement for disbursements made or expenses incurred by the licensee on behalf of a client.

3. Money that is not directly related to legal services being provided by the licensee.

Exception

(2.1) Despite subsection (2), a licensee may pay into a trust account money that belongs entirely to the licensee or to another licensee of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, where the money is wholly related to:

- (a) legal services received by the licensee from another licensee of the firm, or
- (b) legal services provided by the licensee to the other licensee.

Record keeping requirements

(3) A licensee who, in accordance with subsection (1), does not pay into a trust account money which he or she receives in trust for a client shall include all handling of such money in the records required to be maintained under Part V.

Time limit on holding money in trust account

8.1. A licensee shall not keep in a trust account money related to legal services being provided by the licensee beyond a minimally reasonable amount of time after the legal services have been performed.

Withdrawal of money from trust account

9. (1) A licensee may withdraw from a trust account only the following money:

- 1. Money properly required for payment to a client or to a person on behalf of a client.
- 2. Money required to reimburse the licensee for money properly expended on behalf of a client or for expenses properly incurred on behalf of a client.

3. Money properly required for or toward payment of fees for services performed by the licensee for which a billing has been delivered.
4. Money that is directly transferred into another trust account and held on behalf of a client.
5. Money that under this Part should not have been paid into a trust account but was through inadvertence paid into a trust account.

Permission to withdraw other money

(2) A licensee may withdraw from a trust account money other than the money mentioned in subsection (1) if he or she has been authorized to do so by the Society.

Limit on amount withdrawn from trust account

(3) A licensee shall not at any time with respect to a client withdraw from a trust account under this section more money than is held on behalf of that client in that trust account at that time.

Manner in which certain money may be withdrawn from trust account

10. A licensee shall withdraw money from a trust account under paragraph 2 or 3 of subsection 9 (1) only,

- (a) by a cheque drawn in favour of the licensee;
 - (b) by a transfer to a bank account that is kept in the name of the licensee and is not a trust account;
- or
- (c) by electronic transfer.

Withdrawal by cheque

11. A cheque drawn on a trust account shall not be,

- (a) made payable either to cash or to bearer; or
- (b) signed by a person who is not a licensee except in exceptional circumstances and except when the person has signing authority on the trust account on which a cheque will be drawn and is bonded in an amount at least equal to the maximum balance on deposit during the immediately preceding fiscal year of the licensee in all the trust accounts on which signing authority has been delegated to the person.

Withdrawal by electronic transfer

12. (1) Money withdrawn from a trust account by electronic transfer shall be withdrawn only in accordance with this section.

When money may be withdrawn

(2) Money shall not be withdrawn from a trust account by electronic transfer unless the following conditions are met:

1. The licensee must ensure that each user authorized to access the electronic transfer system used by the licensee has a unique user login and password or access code.
2. The electronic transfer system used by the licensee must be one that will produce, immediately after the electronic transfer of money a confirmation of the transfer.

3. The confirmation required by paragraph 2 must contain,

- i. the number of the trust account from which money is drawn,
- ii. the name, branch name and address of the financial institution where the account to which money is transferred is kept,
- iii. the name of the person or entity in whose name the account to which money is transferred is kept,
- iv. the number of the account to which money is transferred,
- v. the time and date that the data describing the details of the transfer and authorizing the financial institution to carry out the transfer are received by the financial institution, and
- vi. the time and date that the confirmation from the financial institution is sent to the licensee.

4. Before the electronic transfer system used by the licensee is accessed to carry out an electronic transfer of money, an electronic trust transfer requisition must be signed by,

- i. a licensee, or
- ii. in exceptional circumstances, a person who is not a licensee if the person has signing authority on the trust account from which the money will be drawn and is bonded in an amount at least equal to the maximum balance on deposit during the immediately preceding fiscal year of the licensee in all trust accounts on which signing authority has been delegated to the person.

5. The electronic trust transfer requisition required under paragraph 4 must be in Form 9A.

6. The data entered into the electronic trust transfer system describing the details of the transfer and authorizing the financial institution to carry out the transfer must be as specified in the electronic trust transfer requisition.

Who may withdraw money

(3) Money shall only be withdrawn from a trust account by electronic transfer,

(a) by a single licensee authorized to access the electronic transfer system using their unique user log-in and password or access code, or

(b) by two persons authorized to access the electronic transfer system and using a dual authentication process that requires,

(i) one person, using their unique user log-in and password or access code, to enter into the system the data describing the details of the transfer, and

(ii) the other person, using their unique user log-in and password or access code, to enter into the system the data authorizing the financial institution to carry out the transfer.

Same

(4) In exceptional circumstances, money may be withdrawn from a trust account by electronic transfer by a single person who is not a licensee, if the person has signing authority on the trust account from which the money will be drawn and is bonded in an amount at least equal to the maximum balance on

deposit during the immediately preceding fiscal year of the licensee in all trust accounts on which signing authority has been delegated to the person.

Additional requirements relating to confirmation

(5) Not later than the close of the banking day immediately after the day on which the confirmation required by paragraph 2 of subsection (2) is sent to a licensee, the licensee or another licensee of the firm of licensees of which the licensee is a partner, through which the licensee practises law or provides legal services or by which the licensee is employed, shall,

- (a) produce a printed copy of the confirmation;
- (b) compare the printed copy of the confirmation and the signed electronic trust transfer requisition relating to the transfer to verify whether the money was drawn from the trust account as specified in the signed requisition;
- (c) indicate on the printed copy of the confirmation the name of the client, the subject matter of the file and any file number in respect of which money was drawn from the trust account; and
- (d) after complying with clauses (a) to (c), sign and date the printed copy of the confirmation.

Same

(6) In exceptional circumstances, the tasks required by subsection (5) may be performed by a person other than a licensee, if the person has signing authority on the trust account from which the money will be drawn and is bonded in an amount at least equal to the maximum balance on deposit during the immediately preceding fiscal year of the licensee in all trust accounts on which signing authority has been delegated to the person.

13. Revoked.

Requirement to maintain sufficient balance in trust account

14. Despite any other provision in this Part, a licensee shall at all times maintain sufficient balances on deposit in his or her trust accounts to meet all his or her obligations with respect to money held in trust for clients.

AUTOMATIC WITHDRAWALS FROM TRUST ACCOUNTS

Authorizing Teranet to withdraw money from trust account

15. (1) Subject to subsection (2), a licensee may authorize Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction.

Conditions

(2) A licensee shall not authorize Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction unless Teranet agrees to provide to the licensee in accordance with subsection (3) a confirmation of the withdrawal that contains the information mentioned in subsection (4).

Time of receipt of confirmation

(3) The confirmation required under subsection (2) must be received by the licensee not later than 5 p.m. on the day immediately after the day on which the withdrawal is authorized by the licensee.

Contents of confirmation

(4) The confirmation required under subsection (2) must contain,

- (a) the amount of money withdrawn from the trust account;
- (b) the time and date that the authorization to withdraw money is received by Teranet; and
- (c) the time and date that the confirmation from Teranet is sent to the licensee.

Written record of authorization

(5) A licensee who authorizes Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction shall record the authorization in writing.

Same

(6) The written record of the authorization required under subsection (5) shall be in Form 9B and shall be completed by the licensee before he or she authorizes Teranet to withdraw from a trust account described in subsection 16 (1) money required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction.

Additional requirements relating to confirmation

(7) Not later than 5 p.m. on the day immediately after the day on which the confirmation required under subsection (2) is sent to a licensee, the licensee shall,

- (a) produce a paper copy of the confirmation, if the confirmation is sent to the licensee by electronic means;
- (b) compare the paper copy of the confirmation and the written record of the authorization relating to the withdrawal to verify whether money was withdrawn from the trust account by Teranet as authorized by the licensee;
- (c) indicate on the paper copy of the confirmation the name of the client and any file number in respect of which money was withdrawn from the trust account, if the confirmation does not already contain such information; and
- (d) after complying with clauses (a) to (c), sign and date the paper copy of the confirmation.

Special trust account

16. (1) The trust account from which Teranet may be authorized by a licensee to withdraw money shall be,

- (a) an account at a bank listed in Schedule I or II to the *Bank Act* (Canada), a credit union or central to which the *Credit Unions and Caisses Populaires Act, 2020* applies or a registered trust corporation kept in the name of the licensee or in the name of the firm of licensees of which the licensee is a partner, through which the licensee practises law or by which the licensee is employed, and designated as a trust account; and

(b) an account into which a licensee shall pay only,

(i) money received in trust for a client for the purposes of paying the document registration fees and the land transfer tax, if any, related to the client's real estate transaction; and

(ii) money properly withdrawn from another trust account for the purposes of paying the document registration fees and the land transfer tax, if any, related to the client's real estate transaction.

One or more special trust accounts

(2) A licensee may keep one or more trust accounts of the kind described in subsection (1).

Payment of money into special trust account

(3) A licensee shall not pay into a trust account described in subsection (1) more money than is required to pay the document registration fees and the land transfer tax, if any, related to a client's real estate transaction, and if more money is, through inadvertence, paid into the trust account, the licensee shall transfer from the trust account described in subsection (1) into another trust account that is not a trust account described in subsection (1) the excess money.

Time limit on holding money in special trust account

(4) A licensee who pays money into a trust account described in subsection (1) shall not keep the money in that account for more than ten days, and if the money is not properly withdrawn from that account by Teranet within ten days after the day on which it is paid into that account, the licensee shall transfer the money from that account into another trust account that is not a trust account described in subsection (1).

Interpretation: counting days

(5) In subsection 16 (4), holidays shall not be counted in determining if money has been kept in a trust account described in subsection 16 (1) for more than ten days.

Application of ss. 9, 11, 12 and 14

17. Sections 9, 11, 12 and 14 apply, with necessary modifications, to a trust account described in subsection 16 (1).

PART V

RECORD KEEPING REQUIREMENTS

REQUIREMENTS

Requirement to maintain financial records

18. Every licensee shall maintain financial records to record all money and other property received and disbursed in connection with the licensee's professional business, and, as a minimum requirement, every licensee shall maintain, in accordance with sections 21, 22 and 23, the following records:

1. A book of original entry identifying each date on which money is received in trust for a client, the method by which money is received, the person from whom money is received, the amount of money received, the purpose for which money is received and the client for whom money is received in trust.
2. A book of original entry showing all disbursements out of money held in trust for a client and identifying each date on which money is disbursed, the method by which money is disbursed, including the number or a similar identifier of any document used to disburse money, the person to whom money is disbursed, the amount of money which is disbursed, the purpose for which money is disbursed and the client on whose behalf money is disbursed.
3. A clients' trust ledger showing separately for each client for whom money is received in trust all money received and disbursed and any unexpended balance.
4. A record showing all transfers of money between clients' trust ledger accounts and explaining the purpose for which each transfer is made.
5. A book of original entry showing all money received, other than money received in trust for a client, and identifying each date on which money is received, the method by which money is received, the amount of money which is received and the person from whom money is received.
6. A book of original entry showing all disbursements of money, other than money held in trust for a client, and identifying each date on which money is disbursed, the method by which money is disbursed, including the number or a similar identifier of any document used to disburse money, the amount of money which is disbursed and the person to whom money is disbursed.
7. A fees book or a chronological file of copies of billings, showing all fees charged and other billings made to clients and the dates on which fees are charged and other billings are made to clients and identifying the clients charged and billed.
8. A record, signed by the licensee who prepared or approved it, showing a comparison made monthly of the total of balances held in the trust account or accounts and the total of all unexpended balances of funds held in trust for clients as they appear from the financial records together with the reasons for any differences between the totals, and the following records, signed by the licensee who prepared or approved them, to support the monthly comparisons:
 - i. A detailed listing made monthly showing the amount of money held in trust for each client and identifying each client for whom money is held in trust.
 - ii. A detailed reconciliation made monthly of each trust bank account.
9. A record showing all property, other than money, held in trust for clients, and describing each property and identifying the date on which the licensee took possession of each property, the person who had possession of each property immediately before the licensee took possession of the property, the value of each property, the client for whom each property is held in trust, the date on which possession of each property is given away and the person to whom possession of each property is given.
10. Bank statements or pass books, images of cleared cheques and detailed duplicate deposit slips for all trust and general accounts.
11. Signed electronic trust transfer requisitions and signed printed confirmations of electronic transfers of trust money.
12. Signed authorizations of withdrawals by Teranet and signed paper copies of confirmations of withdrawals by Teranet.

Record keeping requirements if cash received

19. (1) Every licensee who receives cash shall maintain financial records in addition to those required under sections 18 and 19.1 and, as a minimum additional requirement, shall maintain, in accordance with sections 21, 22 and 23, a book of duplicate receipts, with each receipt identifying the date on which cash is received, the person from whom cash is received, the amount of cash received, the client for whom cash is received and any file number in respect of which cash is received and containing the signature of the licensee or the person authorized by the licensee to receive cash and of the person from whom cash is received.

No breach

(2) A licensee does not breach subsection (1) if a receipt does not contain the signature of the person from whom cash is received provided that the licensee has made reasonable efforts to obtain the signature of the person from whom cash is received.

Record keeping requirements if referral fee paid or received

19.1. Every licensee who pays or receives a referral fee, in addition to maintaining the financial records required under section 18, shall maintain, in accordance with sections 21, 22, and 23 the following records:

1. A record showing all referral fees received and identifying the date on which each referral fee is received, the method by which each referral fee is received, the amount of each referral fee, the licensee from whom each referral fee is received and the client in connection to whom each referral fee is received.
2. A record showing all referral fees paid and identifying the date on which each referral fee is paid, the method by which each referral fee is paid, including the number or a similar identifier of any document used to pay the referral fee, the amount of each referral fee, the licensee to whom each referral fee is paid, and the client in connection to whom each referral fee is paid.
3. All documents related to each referral fee transaction, including any agreement the Society may require the licensee to enter into in relation to each referral fee transaction.

Record keeping requirements if mortgages and other charges held in trust for clients

20. Every licensee who holds in trust mortgages or other charges on real property, either directly or indirectly through a related person or corporation, shall maintain financial records in addition to those required under section 18 and, as a minimum additional requirement, shall maintain, in accordance with sections 21, 22 and 23, the following records:

1. A mortgage asset ledger showing separately for each mortgage or charge,
 - i. all funds received and disbursed on account of the mortgage or charge,
 - ii. the balance of the principal amount outstanding for each mortgage or charge,
 - iii. an abbreviated legal description or the municipal address of the real property, and
 - iv. the particulars of registration of the mortgage or charge.
2. A mortgage liability ledger showing separately for each person on whose behalf a mortgage or charge is held in trust,

- i. all funds received and disbursed on account of each mortgage or charge held in trust for the person,
- ii. the balance of the principal amount invested in each mortgage or charge,
- iii. an abbreviated legal description or the municipal address for each mortgaged or charged real property, and
- iv. the particulars of registration of each mortgage or charge.

3. A record showing a comparison made monthly of the total of the principal balances outstanding on the mortgages or charges held in trust and the total of all principal balances held on behalf of the investors as they appear from the financial records together with the reasons for any differences between the totals, and the following records to support the monthly comparison:

- i. A detailed listing made monthly identifying each mortgage or charge and showing for each the balance of the principal amount outstanding.
- ii. A detailed listing made monthly identifying each investor and showing the balance of the principal invested in each mortgage or charge.

Financial records to be permanent

21. (1) The financial records required to be maintained under sections 18, 19, 19.1 and 20 may be entered and posted by hand or by mechanical or electronic means, but if the records are entered and posted by hand, they shall be entered and posted in ink.

Paper copies of financial records

(2) If a financial record is entered and posted by mechanical or electronic means, a licensee shall ensure that a paper copy of the record may be produced promptly on the Society's request.

Financial records to be current

22. (1) Subject to subsection (2), the financial records required to be maintained under sections 18, 19, 19.1 and 20 shall be entered and posted so as to be current at all times.

Exceptions

(2) The record required under paragraph 8 of section 18 and the record required under paragraph 3 of section 20 shall be created within twenty-five days after the last day of the month in respect of which the record is being created.

Preservation of financial records required under ss. 18, 19 and 19.1

23. (1) Subject to subsection (2), a licensee shall keep the financial records required to be maintained under sections 18, 19 and 19.1 for at least the six year period immediately preceding the licensee's most recent fiscal year end.

Same

(2) A licensee shall keep the financial records required to be maintained under paragraphs 1, 2, 3, 8, 9, 10 and 11 of section 18 for at least the ten year period immediately preceding the licensee's most recent fiscal year end.

Preservation of financial records required under s. 20

(3) A licensee shall keep the financial records required to be maintained under section 20 for a mortgage or other charge for at least the ten year period immediately following either,

- (a) the discharge of the mortgage or other charge; or
- (b) the day the licensee ceases to be trustee of the mortgage or other charge.

Record keeping requirements when acting for lender

24. (1) Every licensee who acts for or receives money from a lender shall, in addition to maintaining the financial records required under sections 18 and 20, maintain a file for each charge, containing,

- (a) a completed investment authority, signed by each lender before the first advance of money to or on behalf of the borrower;
- (b) a copy of a completed report on the investment;
- (c) if the charge is not held in the name of all the lenders and a declaration of trust or copy thereof is provided to the licensee, a copy of the declaration of trust;
- (d) if the charge is not held in the name of all the lenders and the charge is held in trust by the licensee, an original declaration of trust;
- (e) a copy of the registered charge; and
- (f) any supporting documents supplied by the lender.

Exceptions

(2) Clauses (1) (a) and (b) do not apply with respect to a lender if,

- (a) the lender,

- (i) is a bank listed in Schedule I or II to the *Bank Act* (Canada), a licensed insurer, a registered loan or trust corporation, a subsidiary of any of them, a pension fund, or any other entity that lends money in the ordinary course of its business,

- (ii) has entered a loan agreement with the borrower and has signed a written commitment setting out the terms of the prospective charge, and

- (iii) has given the licensee a copy of the written commitment before the advance of money to or on behalf of the borrower;

- (b) the lender and borrower are related persons;

- (c) the lender has executed the Investor/Lender Disclosure Statement for Brokered Transactions, approved by the Chief Executive Officer under subsection 54 (1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, and has given the licensee written instructions, relating to the particular transaction, to accept the executed disclosure statement as proof of the loan agreement;

- (d) the lender is selling real property to the borrower and the charge represents part of the purchase price.

Same

(2.1) Clause (1) (c) does not apply with respect to a lender if the lender,

(i) is a bank listed in Schedule I or II to the *Bank Act* (Canada), a licensed insurer, a registered loan or trust corporation, a subsidiary of any of them, a pension fund, or any other entity that lends money in the ordinary course of its business,

(ii) has entered a loan agreement with the borrower and has signed a written commitment setting out the terms of the prospective charge, and

(iii) has given the licensee a copy of the written commitment before the advance of money to or on behalf of the borrower.

Requirement to provide documents to lender

(3) Forthwith after the first advance of money to or on behalf of the borrower, the licensee shall deliver to each lender,

(a) if clause (1) (b) applies, a copy of the report referred to therein addressed to the lender and bearing the licensee's signature; and

(b) if clause (1) (c) applies, a copy of the declaration of trust.

Requirement to add to file maintained under subs. (1)

(4) Each time the licensee or any licensee of the same firm of licensees does an act described in subsection (5), the licensee shall add to the file maintained for the charge the investment authority referred to in clause (1) (a), completed anew and signed by each lender before the act is done, and a copy of the report on the investment referred to in clause (1) (b), also completed anew.

Application of subs. (4)

(5) Subsection (4) applies in respect of the following acts:

1. Making a change in the priority of the charge that results in a reduction of the amount of security available to it.

2. Making a change to another charge of higher priority that results in a reduction of the amount of security available to the lender's charge.

3. Releasing collateral or other security held for the loan.

4. Releasing a person who is liable under a covenant with respect to an obligation in connection with the loan.

New requirement to provide documents to lender

(6) Forthwith after completing anew the report on the investment under subsection (4), the licensee shall deliver to each lender a copy of it addressed to the lender and bearing the licensee's signature.

Requirement to add to file maintained under subs. (1): substitution

(7) Each time the licensee or any other licensee of the same firm of licensees substitutes for the charge another security or a financial instrument that is an acknowledgment of indebtedness, the licensee shall add to the file maintained for the charge the lender's written consent to the substitution, obtained before the substitution is made.

Exceptions

(8) The licensee need not comply with subsection (4) or (7) with respect to a lender if clause (2) (a), (b) or (d) applied to the lender in the original loan transaction.

Investment authority: Form 9C

(9) The investment authority required under clause (1) (a) shall be in Form 9C.

Report on investment: Form 9D

(10) The report on the investment required under clause (1) (b) shall be in Form 9D.