

## Excerpt from the Rules of the State Bar of California

### **Rule 2.5 Client Trust Account Protection Program Annual Reporting, Account Registration and Self-Assessment Completion Requirements**

*(Rule 2.5 adopted effective January 1, 2023; amended effective December 1, 2023.)*

As authorized by California Rule of Court, rule 9.8.5, a licensee must comply with certain annual reporting requirements under the Client Trust Account Protection Program (CTAPP).

#### (A) Definitions

- (1) A licensee is “responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct” within the meaning of this rule if, at any point during the reporting period, they acted as a signatory on a trust account, exercised managerial or primary administrative oversight for a trust account, or were otherwise responsible for complying with any of the requirements or prohibitions in rule 1.15 of the Rules of Professional Conduct. The requirements and prohibitions in rule 1.15 are not limited to banking and recordkeeping duties and include, for example, the responsibility for giving notice to the client or other person that funds were received on behalf of the client or other person and the duty to identify and discharge liens.
- (2) A “trust account” is any bank account or accounts opened to receive or hold funds in accordance with rule 1.15(a) of the Rules of Professional Conduct, regardless of the amount of funds in the account, and includes, but is not limited to, any IOLTA account under Business and Professions Code section 6211, subdivision (a) where the interest is paid to the State Bar and any account under Business and Professions Code section 6211, subdivision (b) where the interest is payable to a client or other person.
- (3) An “annual self-assessment” is a survey about client trust accounting duties and practices and includes, but is not limited to, questions and affirmations regarding a licensee’s trust account recordkeeping under rule 1.15(d)(3) of the Rules of Professional Conduct and the recordkeeping standards adopted by the Board under rule 1.15(e) of the Rules of Professional Conduct.
- (4) A “firm” means a law partnership; a professional law corporation; a lawyer acting as a sole proprietorship; an association authorized to practice law; or lawyers employed in a legal services organization or in the legal department, division or office of a corporation, of a government organization, or of another organization.
- (5) The “reportable time period” for a licensee who must pay their annual license fees under Title 2, rule 2.11 is the calendar year immediately preceding the licensee’s due date for paying their annual license fees. The “reportable time period” for a new licensee who must pay their initial license fees is from their date of admission through the due date for payment of their initial fees under

Title 2, rule 2.12, or, if the due date to pay their initial fees is in the year following their date of admission, through December 31 of the year they were admitted. The “reportable time period” for a licensee who, pursuant to paragraph (L), must comply with this rule prior to the return to active status is the end of the reporting period for which the licensee last completed reporting through the date of the request to transfer to active status.

(B) CTAPP Reporting Requirements

Unless a licensee is exempt under paragraph (K), a licensee must annually comply with the following reporting requirements:

- (1) Annual Trust Account Certification—A licensee must annually (a) report whether or not, at any time during the reportable time period, they were a licensee responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct and (b) if they were a licensee responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct, then those licensees must also certify that they are knowledgeable about, and in compliance with, applicable rules and statutes governing a trust account and the safekeeping of funds entrusted by clients and others;
- (2) Annual Trust Account Registration—A licensee who was responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct must, annually, register each and every trust account in which the licensee held such funds at any time during the reportable time period by identifying the bank routing number; bank name; bank account number; bank account name; account opened date; account closed date, if applicable; account balance on a specified date; and other information as required by the State Bar and in a manner prescribed by the State Bar for such reporting. A licensee will be considered in compliance with this subparagraph if the licensee’s firm submits account registration information on behalf of one or more licensees affiliated with the firm that identifies the licensee as one on whose behalf the registration information is submitted; and
- (3) Annual Self-Assessment—A licensee responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct must complete an annual self-assessment and report the completion of the self-assessment in a manner prescribed by the State Bar for such reporting.

(C) CTAPP Reporting Deadline

The deadline for submitting the information to be annually reported under paragraph (B) of this rule is the licensee's due date for paying their license fees under Title 2, Division 2, rules 2.11 or 2.12 of the State Bar Rules.

(D) CTAPP Reporting Required Even if a Licensee is Not Responsible for Trust Funds at the Time of Reporting

The annual reports required under paragraph (B)(1) and paragraph (B)(3) of this rule must be submitted when a licensee, at any time during the reportable time period, has been a licensee responsible for client funds or funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct, and this includes circumstances where the licensee at the time of submitting their report is no longer responsible for client funds or funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct. The registration of a trust account under paragraph (B)(2) of this rule also is required even if a licensee is not responsible for funds held in the trust account at the time of reporting so long as the licensee remains in practice with the firm that controls the trust account. A licensee is not required to register a trust account controlled by a firm with which the licensee no longer practices.

(E) CTAPP Reporting Required Even if a Licensee is Not Responsible for Trust Funds at the Time of Reporting

Under paragraph (B)(1), a licensee who is not exempt under paragraph (K) must report whether or not, at any time during the reportable time period, they were a licensee who was responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct. To comply with paragraph (B)(1), a licensee who was not responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the Rules of Professional Conduct must submit a report indicating that fact.

(F) Noncompliance

Noncompliance with the requirements of this rule is failure to:

- (1) complete annual trust account certification, registration, or self-assessment requirements under paragraph (B); or
- (2) pay fees for noncompliance.

(G) Notice of CTAPP Reporting Noncompliance

A licensee who is sent a notice of noncompliance with any reporting required by this rule must comply as instructed in the notice or be involuntarily enrolled as inactive. An inactive licensee is not eligible to practice law.

(H) Enrollment as Inactive for Noncompliance

A licensee who fails to comply with a notice of CTAPP reporting noncompliance is enrolled as inactive and is not eligible to practice law. The enrollment is administrative and no hearing is required.

(I) Reinstatement Following Noncompliance

Enrollment as inactive for CTAPP reporting noncompliance terminates when a licensee submits proof of compliance and pays noncompliance and reinstatement fee.

(J) Fees for Noncompliance

Fees for noncompliance with any of the requirements in paragraph (B), including a reinstatement fee to terminate CTAPP inactive enrollment, are set forth in the Schedule of Charges and Deadlines.

(K) Licensees Who are Exempt from Compliance to this Rule

The following category of licensees are exempt from compliance with the reporting requirements in paragraph (B):

- (1) A licensee who was not on active status for the entirety of the reportable time period; or
- (2) A licensee who is not entitled to practice law at the time of the reporting deadline for any reason other than voluntary inactive enrollment.