FREQUENTLY ASKED QUESTIONS:
CLIENT TRUST ACCOUNT PROTECTION PROGRAM

These FAQs are a living document. They are subject to revision and will be supplemented and updated as needed.

- CTAPP Overview
- General Requirements for Lawyers
- Requirements for Lawyers Practicing in Multiple Jurisdictions
- Law Firm Reporting
- Related Rules
- Updates

1. CTAPP OVERVIEW

1.1 What is the purpose of the Client Trust Account Protection Program (CTAPP)?

The CTAPP is a program designed to:
- Protect the public by ensuring proper accounting and safeguards for client funds entrusted to attorneys; and
- Educate, support, and assist attorneys in complying with the ethical and accounting requirements of managing client trust accounts.

[Client Trust Account Protection Program webpage](#)
[California Rule of Court, rule 9.8.5](#)

1.2 When are CTAPP requirements being implemented?

Phase 1 was implemented on December 1, 2022, the beginning of the 2023 fee cycle. It includes:
- Annual client trust account reporting (Cal. Rules of Court, rule 9.8.5(a)(1)(A))
- Annual trust account registration (Cal. Rules of Court, rule 9.8.5(a)(1)(B));
- Annual client trust account self-assessment (Cal. Rules of Court, Rule 9.8.5(a)((2)(A)); and
- Annual client trust account certification of compliance (Cal. Rules of Court, rule 9.8.5(a)(1)(A)).

Other program elements will be implemented in a future phase. These elements include:
- Public education and client outreach regarding attorney responsibilities and the rights of clients;
- Enhanced legal education on client trust account management for attorneys; and
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- Compliance reviews of selected lawyers by a certified public accountant to ensure adherence to client trust account management requirements.

**State Bar Rules, Title 2, Division 1, rule 2.5**

1.3 What are client funds and how must they be handled?

All funds received by a lawyer in connection with legal representation in which a client or a third party has an interest are trust funds and must be deposited in a trust account. Examples include advances for fees received from clients (until they are actually earned by the lawyer), funds of others that are being held for disbursement at a later time, personal injury awards, and litigation settlements. Client funds must be held in either a single, interest-bearing client trust account for an individual client, or a pooled client trust account, also known as an Interest on Lawyer Trust Account (IOLTA), whose interest is collected and used to fund legal services programs.

**Rule of Professional Conduct 1.15**

1.4 What is the deadline for CTAPP reporting?

For 2023, the State Bar will not impose penalties for failure to comply with CTAPP requirements until after April 3. You can pay licensing fees and report MCLE compliance before completing your CTAPP reporting obligations. In future years, pursuant to State Bar rule 2.5, the CTAPP reporting deadline will be February 1. The deadline for other requirements (e.g., licensing fees, MCLE compliance, etc.) remains February 1. The extended 2023 grace period for CTAPP is designed to allow more time for licensees and agencies to conform to this new reporting requirement and because the current CTAPP reporting application does not allow licensees to enter client trust account (including IOLTA) information without the yearend (December 31) balance. This means that licensees and agencies cannot enter account information until January 2023. In future years, we expect enhancements to the reporting application will make CTAPP reporting more efficient and will allow licensees to complete significant portions of the reporting requirements at the onset of the billing period.

**State Bar Rules, Title 2, Division 1, rule 2.5**

1.5 What measures are the State Bar taking to ensure the information reported for CTAPP is secure?

The State Bar takes reasonable precautions and has security measures in place to protect the personal information we collect and maintain against loss, unauthorized access, use, modification, or disclosure. We take the following measures to secure information that is stored within our applications:

- Protecting the security of individuals’ personal information during transmission by using encryption protocols and software.
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• Storing personal information in secure locations in an encrypted format.
• Ensuring staff is trained on procedures for the management and release of personal information. This information can only be accessed by staff whose work requires it.
• Conducting periodic audits to ensure that proper information management policies and procedures are being followed.

2. GENERAL REQUIREMENTS FOR LAWYERS

2.1 What are a lawyer’s obligations regarding client funds?

A lawyer in possession of client funds and property is a fiduciary. A lawyer must safeguard and segregate those funds and not commingle them with the lawyer's personal or business accounts. A lawyer must report timely and completely to their client regarding the status and accounting of client funds. A lawyer’s obligations regarding client funds and property are set out in rule 1.15 of the Rules of Professional Conduct. In addition, under rule 1.4 of the Rules of Professional Conduct, a lawyer must keep their client reasonably informed about significant developments related to a client’s representation. Comment [1] to this rule specifies that a lawyer’s receipt of funds on behalf of a client ordinarily is a significant development requiring such communication with the client.

Rule of Professional Conduct 1.4

2.2 Who is required to complete the CTAPP reporting requirements?

With very few exceptions (see next question below), all licensees must complete the CTAPP reporting requirements.

Licensees must answer “yes” to at least one of the Step 1: CTAPP Annual Client Trust Account Reporting questions if, at any point during the reporting period, they (1) acted as a signatory or exercise managerial or administrative oversight for a trust account, or (2) represented a client in a matter in which funds have been received and were responsible for complying with any of the requirements or prohibitions in rule 1.15 of the Rules of Professional Conduct. Lawyers who were responsible for trust funds in the reporting period must also register, or have their firm register, all client trust accounts, take a self-assessment of client trust account management practices, and certify their compliance with requirements of rule 1.15 of the Rules of Professional Conduct.

A lawyer who has no responsibilities to comply with any of the requirements or prohibitions in rule 1.15 can comply with their reporting requirements by answering “no” to the State Bar’s question of whether they were responsible for trust funds in the reportable time frame. Here are examples of lawyers who have no such responsibilities:

• A government lawyer employee who does not maintain a client trust account and whose office or organization does not maintain a client trust account on their behalf and
• A lawyer in a large firm who only performs document review, has no interaction with any clients, and has no responsibilities to carry out any of the duties under rule 1.15.
2.3 **Who is NOT required to complete the CTAPP reporting requirements?**

The CTAPP rules exempt certain licensees from the CTAPP reporting, including:
- Lawyers who were not on active status at any point during the reporting period; and
- Lawyers who are not entitled to practice law at the time of the reporting deadline for any reason other than voluntary inactive enrollment (e.g., due to disciplinary or regulatory action).

2.4 **How do I know if I have completed my CTAPP reporting?**

Your reporting is complete if:

- You answered “no” to both of the questions in CTAPP Step 1: Annual Client Trust Account Reporting, and submitted your CTAPP declaration; or
- You answered “yes” to at least one of the questions in CTAPP Step 1: Annual Client Trust Account Reporting and:
  1. Registered your trust accounts in Step 2: Account Registration;
  2. Completed Step 3: Self-Assessment;
  3. Completed the certification in Step 4: Client Trust Account Annual Certification of Compliance; and
  4. Submitted your CTAPP declaration.

You can verify your compliance status by logging into your My State Bar Profile and reviewing the grey box directly under your name and license number on the My State Bar Profile landing page. You will not be able to review your responses without re-entering the reporting process, which will require you to resubmit a declaration (see question no. 9).

If your firm or organization uses the State Bar’s Agency Billing application and, during Step 2: Account Registration, you did not register all of your accounts and instead indicated that your firm or organization administrator will report your trust accounts, the grey box may show that you have satisfied the current reporting requirements for Client Trust Account and IOLTA Annual Reporting. However, that does not mean that your firm administrator has registered accounts on your behalf. You must ensure that your CTAPP reporting is complete, including that your law firm registered client trust accounts maintained on your behalf. It is important that you reach out to your law firm administrator or take other steps to confirm that your firm has linked you to the appropriate client trust accounts in the Agency Billing application.

2.5 **I have already completed my reporting, but I want to change or review an answer. How do I do that?**
If you have already completed your CTAPP reporting for the current period but you want to review your submission or change an answer prior to the reporting deadline, you can access the CTAPP reporting page from your My State Bar Profile landing page. To review your CTAPP reporting, click the link, “Go To CTA (including IOLTA).” You can click through the pop-up warning, then click through the CTA pages and make changes as appropriate. NOTE: Any access to the page after submitting the declaration will delete your declaration, requiring you to resubmit it. Even if you make no changes, be sure to click all the way through and resubmit your declaration.

2.6 What are the consequences of noncompliance with the requirements of client trust accounting?

An attorney who fails to satisfy the requirements of the CTAPP and its associated rules by the deadline will be assessed a noncompliance penalty. If the attorney still does not comply, they will be enrolled as an inactive licensee of the State Bar under the rules adopted by the Board of Trustees of the State Bar. Inactive enrollment imposed for noncompliance with the requirements of this program is cumulative and does not preclude a disciplinary proceeding or other actions for violations of the State Bar Act, the Rules of Professional Conduct, or other applicable laws.

2.7 I don’t do the accounting; why do I have to report on client trust accounts?

If a lawyer is representing a client and they or their office has received funds from or for that client, the lawyer is responsible for those funds. The lawyer remains ultimately responsible even if nonlawyers are assigned certain accounting tasks for those funds; for example, bookkeeping and banking related to client trust accounts.

In addition, recordkeeping activities are only one part of a lawyer’s duties to properly handle entrusted funds. Other duties include, for example, identifying and resolving disputes about entitlement to trust funds, and these duties ordinarily are not the job of a firm’s bookkeeper. All of these responsibilities are considered nondelegable duties. The proactive regulation, reporting, and monitoring of the CTAPP are intended to promote a lawyer’s compliance and prevent avoidable financial harm to clients. The only aspect of CTAPP reporting that can be fulfilled by the lawyer's firm is the annual registration of client trust accounts by a firm or organization that is registered with the State Bar’s Agency Billing platform.

2.8 The self-assessment asks about tasks that I do not personally perform (e.g., conducting a monthly reconciliation) but I believe other persons in my firm are responsible for those tasks. How do I complete those items in the self-assessment?

A subordinate lawyer may consult a supervisory lawyer to confirm that duties that are not personally performed are being properly discharged by others in the firm. For example, a subordinate lawyer may ask the attorney who manages the firm’s client trust accounts whether monthly reconciliations are performed on the client trust accounts. Absent information to the contrary, the subordinate lawyer may reasonably rely on that guidance in completing the self-assessment.
2.9 Why am I being required to take a self-assessment on client trust accounting practices, and is it a wrong answer if I respond “no” to any of the self-assessment items?

The required self-assessment is a tool to help attorneys evaluate their current practices and to provide citations to relevant rules and other references, including sections of the Handbook on Client Trust Accounting for California Attorneys. The objective is to promote awareness of duties and facilitate thoughtful consideration of any possible changes to an attorney’s current practices.

Given the great variety of practice settings, including situations where an attorney’s practice is conducted in part or completely in another state with different rules, an attorney might appropriately respond “no” to a self-assessment item. Responding “no” should not be considered a wrong answer when that response accurately reflects an attorney’s current practices. In taking the self-assessment, if an attorney is unsure about how California rules and recordkeeping standards apply to a specific practice setting, an inquiry to the Ethics Hotline research service can be helpful. The Ethics Hotline might be able to provide more citations and resource references than the ones included in the self-assessment.

Only by thoughtfully and honestly completing the self-assessment will an attorney realize the benefits of this compliance tool. Please keep in mind that the self-assessment questions are framed in the present tense and as such, they do not elicit information about prior conduct. Most importantly, what is learned from the self-assessment should inform an attorney’s future conduct in providing competent and professionally responsible services when handling funds and property of clients and others.

2.10 I don’t handle client funds. Do I have to report?

If you do not need a trust account because you are not required to receive or hold funds in trust and are not responsible for complying with any of the requirements or prohibitions in rule 1.15, you can answer “no” to the two questions in CTAPP Step 1: Annual Client Trust Account Reporting as to whether you maintain any common interest-bearing client trust accounts, also known as an Interest of Lawyer’s Trust Account (IOLTA) or any individual interest-bearing client trust accounts (CTAs). After submitting that response and declaring the information is true, your compliance with CTAPP would be deemed complete. If your practice does not require a CTA, including IOLTA, you do not need to open one to report it to the State Bar as part of the CTAPP requirements. If you have questions about using trust accounts, including whether you are responsible for complying with any of the requirements or prohibitions in rule 1.15 or whether you need a trust account, please contact the State Bar’s Ethics Hotline at 800-238-4427 (toll-free in California).
2.11 I am a sole practitioner and have a legal entity (e.g., APC, Law Offices, etc.). For the questions in Step 1: Annual Client Trust Account Reporting, do I answer that I maintain the accounts or that a firm maintains them on my behalf?

As a sole practitioner, you likely maintain the account or have a bookkeeper maintain the account and have access to the account information (e.g., routing number, account number, balance, etc.). In that sense, you can answer that you maintain the account. Generally, we provide the option that “a firm or organization maintained [an account] on my behalf” for people who do not have access to the account information and who, during Step 2: Account Registration, would select “My firm or organization administrator informed me that the CTA registration data will be reported by my firm or organization on my behalf.” However, as long as the account information is provided in Step 2, you can select the answer, “a firm or organization maintained [a trust account] on my behalf” in Step 1, if you prefer.

2.12 I do not maintain my own trust account, but I work for a firm that has a trust account. How do I know if the firm trust account is maintained “on my behalf?”

Rule 1.15 requires attorneys who handle trust funds to hold those funds in one or more interest-bearing bank accounts labeled as a “Trust Account,” or words of similar import. If, at any point in the reporting period, you represented a client in a matter in which funds were received or held and you were responsible for complying with any of the requirements or prohibitions in rule 1.15 (e.g., responsibilities for safekeeping of funds, to identify and discharge liens, notify clients that funds have been received, etc.), you are required to have a trust account. If those funds were deposited into the firm’s trust account(s), then that trust account/those trust accounts are maintained, at least in part, on your behalf so that you, and potentially other lawyers in your firm, can deposit entrusted funds. Therefore, if, at any point in the reporting period, you represented a client in a matter in which funds were received or held, you should answer, “Yes, a firm or organization maintained [a trust account] on my behalf...” to at least one of the questions in CTAPP Step 1: Annual Client Trust Account Reporting and thereafter complete the remaining CTAPP requirements. If you do not have access to the account information, in Step 2: Account Registration, you may indicate that the information will be reported on your behalf.

If you have further questions about trust accounts, including whether you are responsible for complying with any of the requirements or prohibitions in rule 1.15, whether you need a trust account, the rules of trust accounting, the recent changes to the rules regarding the safekeeping of funds, etc., please contact the State Bar’s Ethics Hotline at 800-238-4427 (toll-free in California).

Rule of Professional Conduct 1.15

3. REQUIREMENTS FOR LAWYERS PRACTICING IN MULTIPLE JURISDICTIONS

3.1 I am licensed in multiple jurisdictions, and I maintain an active California license; however, I do not represent any California clients, I do not have any matters pending in California, and I
do not have any client funds in California or any funds from clients in California. Do I need to comply with the CTAPP requirements?

Unless exempt (see CTAPP FAQ question 7, above), California licensees, regardless of where they practice, must still comply with the CTAPP reporting requirements. To answer the Step 1: Annual Client Trust Account Reporting questions, licensees must determine whether they are responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the California Rules of Professional Conduct. (See Rules Prof. Conduct, rule 8.5.) If so, because rule 1.15 of the California Rules of Professional Conduct requires attorneys who handle trust funds to hold those funds in one or more interest-bearing bank accounts labeled as a “Trust Account,” or words of similar import, the licensee must answer “yes” to at least one of the CTAPP Annual Client Trust Account Reporting questions of whether they maintain any common interest-bearing client trust accounts, also known as an Interest of Lawyer’s Trust Account (IOLTA), or any individual interest-bearing client trust accounts (CTAs) and complete the remaining CTAPP requirements.

Only if the licensee is not responsible for any client funds and funds entrusted by others under rule 1.15 of the California Rules of Professional Conduct may the licensee answer “no” to the CTAPP Annual Client Trust Account Reporting questions.

For information on reporting an IOLTA account outside California, please refer to CTAPP FAQ question 14, below.

Rule of Professional Conduct 1.15 (effective January 1, 2023)
Rule of Professional Conduct 8.5

3.2 I am licensed in multiple jurisdictions, and I maintain an active California license. I have clients in California and clients in another jurisdiction, and I maintain client trust accounts in California and another jurisdiction. Do I need to report my client trust accounts located in another jurisdiction?

Unless exempt (see CTAPP FAQ question 7, above), California licensees, regardless of where they practice, must still comply with the CTAPP reporting requirements. A licensee who was responsible for client funds and funds entrusted by others under the provisions of rule 1.15 of the California 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 account numbers and financial institutions in a manner prescribed by the State Bar for such reporting. There is no exception for out-of-state accounts.

Rule of Professional Conduct 1.15 (effective January 1, 2023)
State Bar Rules, Title 2, Division 1, rule 2.5 (effective January 1, 2023)

3.3 How do I report IOLTA accounts outside of California?

The CTAPP reporting features available beginning December 1, 2022, only allow licensees to
register IOLTA accounts housed at California-approved financial institutions. In general, under rule 1.15(a) of the Rules of Professional Conduct, a licensee’s CTA must be maintained in California, or, with the written consent of the client, in another jurisdiction where there is a substantial relationship between the client or the client’s business and that other jurisdiction. Therefore, if licensees are entitled to hold IOLTA accounts outside of California, they will need to register those accounts by selecting the “Add Indiv. CTA and Non-CA IOLTA” button when reporting this information in My State Bar Profile. If using the Agency Billing application, select “Manage Indiv. CTA and Non-CA IOLTA” (or use account type “IND” when using the Bank Detail upload spreadsheet).

In future years, we expect enhancements to the reporting application will make registration of non-California IOLTA information seamless with the registration of California IOLTA accounts.

Rule of Professional Conduct 1.15 (effective January 1, 2023)

3.4 I have an IOLTA account outside California. In question 1 of the self-assessment, how can I affirm that any funds held in an IOLTA account are maintained in an IOLTA-eligible institution identified on the State Bar of California’s website if the account is held outside California by an institution not on the approved list?

Under Business and Professions Code section 6212, attorneys that established an IOLTA account pursuant to subdivision (a) of Business and Professions Code section 6211, may hold IOLTA accounts only at eligible financial institutions. Rule 1.15(a) of the California Rules of Professional Conduct generally requires that trust accounts for California clients be maintained in California. You are permitted to hold client funds in an IOLTA account outside California if your client is from somewhere other than California or if your California client has a substantial relationship with the other jurisdiction and has provided written consent. Consistent with the inherent scope of these California provisions, question 1 of the self-assessment relates to whether funds held in a California IOLTA account are held in an IOLTA-eligible institution identified on the State Bar website.

3.5 Do I need to report non-U.S. bank accounts?

Unless exempt (see question 7, above), California licensees, regardless of where they practice, must still comply with the CTAPP reporting requirements. Licensees should generally report and register each and every trust accounts in any location if (1) they acted as a signatory or exercised managerial or administrative oversight for a trust account held pursuant to rule 1.15 of the California Rules of Professional Conduct or (2) there are funds for which the lawyer has a duty to comply with the requirements or prohibitions in rule 1.15 of the California Rules of Professional Competence (e.g., responsibilities for safekeeping of funds, to identify and discharge liens, notify clients that funds have been received, etc.).

However, the CTAPP reporting features available December 1, 2022, do not allow licensees to enter non-U.S. routing and account numbers. Therefore, for 2023, licensees and agencies should register all U.S. client trust accounts. For non-U.S. trust accounts, during the Step 2:
Account Registration, licensees should use the “If you are unable to provide any or some of the CTA information, please describe why below:” option, select “Other,” and, in the box provided, state that all or some of your client trust accounts are in a non-U.S. jurisdiction and cannot be registered. In future years, we expect enhancements to the reporting application will make it possible for licensees and agencies to report non-U.S. trust account information.

4. LAW FIRM REPORTING

4.1 Can my firm register on my behalf?

Law firms and organizations can complete only one portion of the requirements for the lawyers who work for them.

If a lawyer is currently employed by or in practice with a firm or organization that is registered with the State Bar’s Agency Billing platform, the firm or organization may register the client trust accounts on the lawyer’s behalf. The firm must identify each licensee who is covered by the firm’s submission of account information on behalf of the firm’s lawyers. **Lawyers should contact their firm or organization administrator to confirm whether the firm or organization will register the CTA information on behalf of the lawyer.**

However, all lawyers who maintain a client trust account or whose firm or organization maintains one on their behalf must complete the self-assessment and certify their compliance with the requirements and prohibitions of rule 1.15 of the Rules of Professional Conduct.

RELATED RULES
The related rules below are effective January 1, 2023.

- California Rules of Court, rule 9.8.5
- State Bar Rules, Title 2, Division 1, rule 2.5
- Rules of Professional Conduct 1.15
- Rules of Professional Conduct 1.4

UPDATES

3/23/2023
- Added question 1.5 under CTAPP Overview

1/27/2023
- Updated question 1.4 under CTAPP Overview

1/19/2023
- Updated with new numbering convention
- Added questions 2.4, 2.5, 2.10, 2.11, and 2.12 under General Requirements for Lawyers
- Updated question 2.2 under General Requirements for Lawyers
- Updated question 3.1 under Requirements for Lawyers Practicing in Multiple Jurisdictions

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- Added questions #11 and #15, reordered and renumbered other questions
12/8/2022
- Updated question #2 and #5 under CTAPP Overview
- Added new questions #13 and #14 under Requirements for Lawyers
11/9/2022
- Added new question #9 under Requirements for Lawyers
11/18/2022
- Added new questions #4, #5, and #6 under CTAPP Overview