



The State Bar *of California*

**OPEN SESSION
AGENDA ITEM
6.8 JULY 2026
BOARD OF TRUSTEES**

DATE: July 16, 2026

TO: Members, Board of Trustees
Members, Board of Trustees Sitting as the Regulation and Discipline Committee

FROM: Dionne McNeff, Managing Attorney, Office of Professional Support and Client Protection
Lee Kern, Senior Attorney, Office of Professional Support and Client Protection

SUBJECT: Proposed Amendments to Rules Governing the Client Security Fund (Amended Title 3, Division 4, Chapter 1 of the Rules of the State Bar of California):
Request to Circulate for Public Comment

EXECUTIVE SUMMARY

The Client Security Fund (CSF) requests authorization to circulate for a 45-day public comment period proposed amendments to the rules governing its administration. The proposed amendments clarify procedural requirements, reorganize the rules for better readability, streamline program administration, strengthen due process through clearer guidance and timelines, and define the respective roles of the CSF Commission and designated CSF staff.

RECOMMENDED ACTION

Staff recommends that the Board of Trustees approve for circulation for a 45-day public comment period the proposed amendments to the Rules of the State Bar regarding the Client Security Fund, including title 3, division 4, chapter 1, articles 1 through 5.

DISCUSSION

BACKGROUND

The CSF is a limited and discretionary fund created by the Legislature in 1972 and codified in Business and Professions Code section 6140.5. It was established to mitigate financial harm caused by the dishonest conduct of California attorneys (Bus. & Prof. Code § 6140.5). The Legislature further authorized the Board to delegate the administration of the fund to any board or committee created by the Board.

Pursuant to this directive, in 1985, the Board adopted rules to govern the CSF's administration and reimbursement requirements. At that time, the Board established the CSF Commission, which has final authority to determine whether to grant an application for reimbursement from the CSF and the extent and manner of any payment (Rules of State Bar, rule 3.421).

State Bar rules 3.420 through 3.461, located in title 3, division 4, chapter 1, currently govern the CSF and the entire reimbursement process. For example, the CSF rules set forth how proceedings are initiated, including requirements for applicants, how applications are screened, who may investigate applications, and the requirements the applicant must meet for reimbursement. Further, the CSF rules provide for a quasi-judicial administrative process in which the applicant and the attorney have notice and an opportunity to be heard before a final decision is made on the application. The CSF rules also specify that reimbursement is discretionary and that the CSF Commission and the CSF Counsel have the discretion to deny or limit reimbursement.

The last substantive updates to the CSF rules were effective May 17, 2019, and refined both the procedural and substantive eligibility requirements for reimbursement reflected in the prior rules.

PROPOSED AMENDMENTS TO EXISTING RULES

The CSF's proposed amendments to the existing CSF rules clarify procedural requirements, reorganize several rules for improved readability and consistency, and introduce a new definitions section—rule 3.410. The revisions also streamline CSF administration, strengthen due process protections by providing clearer procedural guidance and standardized timelines, and ensure the rules remain aligned with current CSF practices and statutory authority. The proposed amendments also clarify the roles of the CSF Commission and designated CSF staff, including the CSF Counsel, as now defined in rule 3.410, in administering the fund.

A clean version of the proposed amendments is set forth in Attachment A, and a redlined version of the proposed amendments is set forth in Attachment B.

ARTICLE 1. GENERAL PROVISIONS

Rule 3.410 Scope and definitions

Rule 3.410 is a proposed new rule that establishes a definitions section to ensure that key terms are used consistently throughout the rules. Centralizing these definitions improves clarity and promotes uniform application of the CSF rules.

Rule 3.420 Overview of the Client Security Fund

The proposed amendments to rule 3.420 retitle the rule to “Overview of the Client Security Fund” and more plainly explain the CSF’s purpose, while preserving the core principles that reimbursement is discretionary and that no person has a right to payment from the CSF.

Rule 3.421 Client Security Fund Commission

The proposed amendments to rule 3.421 clarify the respective roles of the commission and CSF Counsel¹ in proposing and determining reimbursement decisions.

ARTICLE 2. REQUIREMENTS FOR REIMBURSEMENT; LIMITATIONS AND EXCLUSIONS

Rule 3.430 General requirements for reimbursement

The proposed amendments to rule 3.430 reorganize and clarify the general requirements for reimbursement, expressly requiring Applicants to establish that they have met the requirements for reimbursement by a preponderance of the evidence and authorizing the CSF Commission or the CSF Counsel to waive the Attorney status requirements of rule 3.432(A).

Rule 3.431 Dishonest Conduct

The proposed amendments to rule 3.431 expand the definition of “Dishonest Conduct” under subsection (E) to include other improper or unauthorized acts or omissions that are not otherwise addressed in the rule.

Rule 3.432 Required status of Attorney

The proposed amendments to rule 3.432 reorganize the Attorney status requirements and make the following changes: identifies voluntary resignation and resignation with charges pending as qualifying statuses and clarifies that if the Attorney is a judgment debtor, the judgment must be owed to the person or entity that directly incurred the asserted loss.

With respect to criminal conviction as a qualifying status, the proposed amendments clarify that the criminal conviction must be the result of Dishonest Conduct, as defined in rule 3.431.

Further, the amendments specify that unless the Attorney was disbarred, the Discipline underlying the Attorney’s status must relate directly to the asserted loss.

Rule 3.433 Excluded Applicants

The proposed amendments to rule 3.433 clarify and reorganize the categories of Applicants who are ineligible for reimbursement.

Rule 3.434 Reimbursement limitations and exclusions

The proposed amendments to rule 3.434 consolidate existing rules 3.434 and 3.435 into a single rule that combines reimbursement limitations and exclusions. The updated rule also adds

¹ Definitions for capitalized terms in the proposed amendments can be found in rule 3.410.

discretionary considerations, including the Applicant's access to other remedies, whether the Applicant knowingly and intentionally participated in or intended to participate in illegal or tortious conduct related to the loss, and other principles of fairness and equity.

Rule 3.435 Attorney-Client relationship required to reimburse loan or investment loss

Rule 3.436 was renumbered as rule 3.435 for clarity, as rules 3.434 and 3.435 were combined (see above).

ARTICLE 3. APPLICATIONS

Rule 3.440 Applicant responsibilities

The proposed amendments to rule 3.440 retitle the rule "Applicant responsibilities" and reorganize and clarify an Applicant's responsibility to provide required application information, necessary supporting documentation, and updated contact information, and to disclose legal matters related to the Applicant's asserted loss. The amendments also expressly state that Applicants bear the burden of proving the existence, amount, and eligibility of their claimed loss.

Rule 3.441 Review and investigation of applications

The proposed amendments to rule 3.441 retitle the rule to "Review and investigation of applications," clarify that further investigation is discretionary, and identify the types of information the CSF may consider during its application review, specifying that additional information may be requested from the Applicants.

Rule 3.442 Notice of Intention to Pay

The proposed amendments to rule 3.442 clarify when a Notice of Intention to Pay may be issued, along with the timelines and procedures for objections by the Attorney and the Applicant.

Rule 3.443 Tentative Decisions

The proposed amendments to rule 3.443 provide a clearer and more consistent procedural framework regarding Tentative Decisions, such as clarifying objection procedures and the CSF Commission's role in considering objections.

Rule 3.444 Final Decisions

The proposed amendments to rule 3.444 clarify the definition of "Final Decisions" and elaborates on the process for issuing a Final Decision when objections are or are not submitted to the CSF.

Rule 3.445 Service of Notices of Intention to Pay, Tentative Decisions, Final Decisions, and objections

The proposed amendments to rule 3.445 retitle the rule “Service of Notices of Intention to Pay, Tentative Decisions, Final Decisions, and objections” and provide clear guidance regarding service of documents by electronic transmission and first-class mail.

ARTICLE 4. SUPERIOR COURT REVIEW; REPAYMENT

Rule 3.450 Superior court review

The proposed amendments to rule 3.450 updates the description of the administrative writ process to more closely mirror the language of Business and Professions Code section 6140.5, subdivision (i) (the statute authorizing superior court review for CSF decisions).

Rule 3.451 Repayment of reimbursement by Attorney

The proposed amendments to rule 3.451 are nonsubstantive.

Rule 3.452 Enforcement of State Bar rights

The CSF proposes to remove rule 3.452 as it is unnecessary to have a rule explicitly stating that the State Bar is authorized to enforce its rights as otherwise permitted by law.

Rule 3.453 Payment plans for non-disbarred and non-resigned Attorneys

This rule was repealed, effective October 31, 2023, and will be removed.

ARTICLE 5. RECORDS

Rule 3.460 Cooperation with the Office of Chief Trial Counsel

The proposed amendments to rule 3.460 will retitle the rule to “Cooperation with the Office of Chief Trial Counsel” and clarify who may access confidential records by expressly adding the CSF Counsel and the CSF staff. Reciprocal access to records between the CSF and the Office of Chief Trial Counsel will be maintained in these proposed amendments, with a clarification that the records will remain confidential. The amendments also clarify that the Office of Chief Trial Counsel will be permitted access to “CSF records,” instead of “Commission records.”

Rule 3.461 Confidentiality of records, documents, and proceedings

The proposed amendments to rule 3.461 include retitling the rule to “Confidentiality of records, documents, and proceedings”; consolidating the confidentiality provisions into a single statement; and clarifying that inclusion of confidential materials in an administrative record for a writ of administrative mandamus filed pursuant to Code of Civil Procedure section 1094.5 does not constitute public disclosure or a waiver of confidentiality.

PREVIOUS ACTION

None

FISCAL/PERSONNEL IMPACT

None

AMENDMENTS TO RULES OF THE STATE BAR

Title 3, Division 4, Chapter 1

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & OBJECTIVES

Goal: 1. Public protection and promoting access to justice

RECOMMENDATIONS

Should the Board of Trustees concur, it is:

RESOLVED, that the Board of Trustees authorizes staff to make available for public comment, for a period of 45 days, the proposed amendments to title 3, division 4, chapter 1 of the Rules of the State Bar, as provided in attachments A (clean) and B (redline).

ATTACHMENTS LIST

- A.** Proposed Amended Rules of the State Bar, Title 3, Division 4, Chapter 1 (Clean)
- B.** Proposed Amended Rules of the State Bar, Title 3, Division 4, Chapter 1 (Redline)