



**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](#)
- [Requirements for Lawyers](#)
- [Law Firm Reporting](#)
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CTAPP OVERVIEW

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 \(effective January 1, 2023\)](#)

2. When are CTAPP requirements being implemented?

Phase 1 will be 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

- Compliance reviews of selected lawyers by a certified public accountant to ensure adherence to client trust account management requirements.

[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. 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 \(effective January 1, 2023\)](#)

4. What is the deadline for CTAPP reporting?

The CTAPP reporting deadline is the same as the deadline for paying annual license fees, February 1. However, for 2023, the State Bar will not impose penalties for failure to comply with CTAPP requirements until April 2, 2023. 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 year-end (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 \(effective January 1, 2023\)](#)

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

In future years, CTAPP will include all trust accounts regardless of where they are located. However, the CTAPP reporting features that will be available beginning December 1, 2022, do not allow licensees to enter non-U.S. routing and account numbers. Therefore, for 2023, licensees and agencies need only enter U.S. client trust account. In future years, we expect enhancements to the reporting application will make it possible for licensees and agencies to report non-U.S. bank account information.

6. How do I report IOLTA accounts outside of California?

The CTAPP reporting features that will be 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 these accounts by selecting the "Add Individ. CTA and Non-CA IOLTA" button when reporting this information in My State Bar Profile and "Manage Individ. CTA and Non-CA IOLTA" (or use account type "IND" when using the Bank Detail upload spreadsheet) in the Agency Billing application. 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 \(effective January 1, 2023\)](#)

REQUIREMENTS FOR LAWYERS

7. 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 \(effective January 1, 2023\)](#)

8. 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 the State Bar's question of whether they were responsible for trust funds in the reporting period if they (1) act as a signatory or exercise managerial or administrative oversight for a trust account, or (2) represent a client in a matter in which funds have been received and are 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 of the Rules of Professional Conduct 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.

[State Bar Rules, Title 2, Division 1, rule 2.5 \(effective January 1, 2023\)](#)

9. 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).

10. 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.

11. 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.

12. 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.

[Rules of Professional Conduct 5.1](#)

[Rules of Professional Conduct 5.2](#)

LAW FIRM REPORTING

13. 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](#)

Frequently Asked Questions: Client Trust Account Protection Program

UPDATES

11/9/2022

- Added new question #9 under Requirements for Lawyers

11/18/2022

- Added new questions #4, #5, and #6 under CTAPP Overview