RULE 1.15A: REQUIRED RECORDS

(a) For each client matter, complete records of client trust account funds and other property must be kept by the lawyer and must be preserved for a period of seven years after termination of the representation.

(b) Maintenance of complete records of client trust accounts requires that a lawyer:

(1) prepare and maintain receipt and disbursement journals for all client trust accounts required by this Rule containing a record of deposits to and withdrawals from client trust accounts specifically identifying the date, source, and description of each item deposited and the date, payee, client matter, and purpose of each disbursement. In addition, for each electronic transfer, the journals should include the name of the person authorizing transfer and the financial institution and account number to or from which funds were transferred;

(2) prepare and maintain contemporaneous ledger records for all client trust accounts showing, for each separate trust client or beneficiary, the source of all funds deposited; the date of each deposit; the names of all persons for whom the funds are or were held; the amount of such funds; the dates, descriptions, and amounts of charges or withdrawals; and the names of all persons to whom such funds were disbursed;

(3) maintain copies of all accountings to clients or third persons showing the disbursement of funds to them or on their behalf, along with copies of those portions of clients' files that are reasonably necessary for a complete understanding of the financial transactions pertaining to them;

(4) maintain all client trust account checkbook registers, check stubs, bank statements, records of deposit, and checks or other records of debits;

(5) maintain copies of all retainer and compensation agreements with clients;

(6) maintain copies of all bills rendered to clients for legal fees and expenses;

(7) prepare and maintain three-way reconciliation reports of all client trust accounts on at least a quarterly basis; and

(8) make appropriate arrangements for the maintenance of the records in the event of the closing, sale, dissolution, or merger of a law practice.

Records required by this Rule may be maintained by electronic, photographic, or other media provided that printed copies can be produced and the records are readily accessible to the lawyer.

(c) A three-way reconciliation consists of the following steps:

(1) The first step is to take the balance in the checkbook register at the end of the reconciliation period and compare it with the adjusted bank statement balance for that period. The bank statement balance is adjusted by adding deposits not yet credited and subtracting any checks or other debits not yet posted to the account.

(2) The second step in the reconciliation is to add together the ending balances of all client ledgers.

(3) The third step in the reconciliation is to subtract the disbursements journal balance from the receipts journal balance by (i) taking the ending figure calculated for the previous period, (ii) adding the receipts journal balance for the period in question, and (iii) subtracting the disbursements journal balance for that period.

All three balances (figures from the check register, client ledgers, and receipts/disbursement journals) must agree with the adjusted bank statement balance.

Adopted Mar. 1, 2023, eff. July 1, 2023.

Comment

[1] A lawyer must maintain on a current basis complete records of client trust account funds, including transfers made electronically, as required by paragraph (b), subparagraphs (1) through (8). These are minimum requirements, which articulate recordkeeping principles that provide direction to a lawyer in the handling of funds entrusted to the lawyer by a client or third person. Compliance with these requirements will benefit the lawyer and the client or third person, as these funds will be safeguarded and documentation will be available to fulfill the lawyer's obligation to provide an accounting to the owners of the funds and to refute any charge that the funds were handled improperly.

[2] A three-way reconciliation is a comparison of the bank statement balance with the balances in the lawyer's records to determine that the figures in the lawyer's records are accurate and in agreement with the bank's figures. The three-way reconciliation report amount must always equal the total sum belonging to all clients and third persons whose money the lawyer is holding in trust. While a lawyer must prepare and maintain three-way reconciliation reports of all trust accounts on at least a quarterly basis, lawyers should note that banks may allow only 30 days from statement date to notify the bank of errors.

[3] If the balances in a three-way reconciliation do not agree, records should be reviewed for entries that do not match or for any addition or subtraction errors, until all three figures are the same. For a more detailed discussion, see the Client Trust Account Handbook published by the Illinois Attorney Registration and Disciplinary Commission and available on its website (www.iardc.org).