

1 **SCR 20:1.15 Safekeeping property; trust accounts and fiduciary**
2 **accounts.**

3
4 **(a) Definitions.**

5 **In this section:**

6 (1) "Draft account" means an account upon which funds are
7 withdrawn through a properly payable instrument or an electronic transaction.

8 (2) "Electronic transaction" means a paperless transfer of funds to or
9 from a trust or fiduciary account. Electronic transactions do not include
10 transfers initiated by voice or automated teller or cash dispensing machines.

11 (3) "Fiduciary" means an agent, attorney-in-fact, conservator,
12 guardian, personal representative, special administrator, trustee, or other
13 position requiring the lawyer to safeguard the property of a client or 3rd party.

14 (4) "Fiduciary account" means an account in which the lawyer
15 deposits fiduciary property.

16 (5) "Fiduciary property" means funds or property of a client or 3rd
17 party that is in a lawyer's possession in a fiduciary capacity. Fiduciary property
18 includes, but is not limited to, property held as agent, attorney-in-fact,
19 conservator, guardian, personal representative, special administrator, or trustee,
20 subject to the exceptions identified in sub. (m).

21 (6) "Financial institution" means a bank, savings bank, trust company,
22 credit union, savings and loan association, or investment institution, including a
23 brokerage house.

24 (7) "Immediate family member" means the lawyer's spouse, registered
25 domestic partner, child, stepchild, grandchild, sibling, parent, stepparent,
26 grandparent, aunt, uncle, niece, or nephew.

27 (8) "Interest on Lawyer Trust Account or 'IOLTA account'" means a
28 pooled interest-bearing or dividend-paying draft trust account, separate from the
29 lawyer's business and personal accounts, which is maintained at an IOLTA
30 participating institution. Typical funds that would be placed in an IOLTA
31 account include earnest monies, loan proceeds, settlement proceeds, collection
32 proceeds, cost advances, and advanced payment of fees that have not yet been
33 earned. An IOLTA account is subject to the provisions of the SCR Chapter 13
34 and the trust account provisions of subs. (a) to (i), including the IOLTA account
35 provisions of subs. (c) and (d).

36 (9) "IOLTA participating institution" means a financial institution that
37 voluntarily offers IOLTA accounts and certifies to WisTAF annually that it
38 meets the IOLTA account requirements of sub. (d).

39 (10) "Properly payable instrument" means an instrument that, if
40 presented in the normal course of business, is in a form requiring payment

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41 pursuant to the laws of this state.

42 (11) "Trust account" means an account in which the lawyer deposits
43 trust property.

44 (12) "Trust property" means funds or property of clients or 3rd parties,
45 which is not fiduciary property, that is in the lawyer's possession in connection
46 with a representation.

47 (13) "WisTAF" means the Wisconsin Trust Account Foundation, Inc.

48 (b) **Segregation and safekeeping of trust property.**

49 (1) **Separate account.** A lawyer shall hold in trust, separate from the
50 lawyer's own property, that property of clients and 3rd parties that is in the
51 lawyer's possession in connection with a representation. All funds of clients and
52 3rd parties paid to a lawyer or law firm in connection with a representation shall
53 be deposited in one or more identifiable trust accounts. Except as provided by
54 sub. (b)(3), a lawyer shall not hold any funds in a trust account that are unrelated
55 to a representation.

56 (2) **Identification and location of account.** Each trust account shall
57 be clearly designated as a "Client Account," a "Trust Account," or words of
58 similar import. The account shall be identified as such on all account records,
59 including signature cards, monthly statements, checks, and deposit slips. An
60 acronym, such as "IOLTA," "IOTA," or "LTAB," without further elaboration,
61 does not clearly designate the account as a client account or trust account. Each
62 trust account shall be maintained in a financial institution that is authorized by
63 federal or state law to do business in Wisconsin and that is located in Wisconsin
64 or has a branch office located in Wisconsin and which agrees to comply with
65 the overdraft notice requirements of sub. (h). A trust account may be
66 maintained at a financial institution located in the jurisdiction where the lawyer
67 principally practices law if that jurisdiction has an overdraft notification
68 requirement.

69 (3) **Lawyer funds.** No funds belonging to a lawyer or law firm, except
70 funds reasonably sufficient to pay monthly account service charges, may be
71 deposited or retained in a trust account. Each lawyer or law firm that receives
72 trust funds shall maintain at least one draft account, other than the trust account,
73 for funds received and disbursed other than in a trust capacity, which shall be
74 entitled "Business Account," "Office Account," "Operating Account," or words
75 of similar import.

76 (4) **Trust property other than funds.** Unless a client otherwise directs
77 in writing, a lawyer shall keep securities in bearer form in a safe deposit box at
78 a financial institution authorized to do business in Wisconsin. The safe deposit
79 box shall be clearly designated as a "Client Account" or "Trust Account." The

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80 lawyer shall clearly identify and appropriately safeguard other property of a
81 client or 3rd party.

82 **(5) Insurance and safekeeping requirements.** Each trust account shall
83 be maintained at a financial institution that is insured by the Federal Deposit
84 Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund
85 (NCUSIF), the Securities Investor Protection Corporation (SIPC), or any other
86 investment institution financial guaranty insurance. IOLTA accounts shall also
87 comply with the requirements of sub. (d)(3). ~~Lawyers using the alternative to~~
88 ~~the E-Banking Trust Account shall comply with the requirements of sub. (f)(3)e.~~
89 Except as provided in subs. (b)(4) and (d)(3)b. and c., trust property shall be
90 held in an account in which each individual owner's funds are eligible for
91 insurance.

92 **(6) Advanced legal fees and costs.** A lawyer shall deposit into a client
93 trust account legal fees and expenses that have been paid in advance, to be
94 withdrawn by the lawyer only as fees are earned or expenses incurred, except
95 as follows:

- 96 a. The lawyer complies with the requirements of SCR 20:1.5(g).
97 b. The lawyer may accept credit card payments or electronic funds
98 transfer payments of advanced legal fees and expenses as temporary deposits
99 in a non-trust account, so long as such funds are transferred promptly, and no
100 later than two business days following receipt, into a client trust account.
101 However, except as provided by SCR 20:1.5(g), a lawyer shall not accept any
102 advance payment into a non-trust account if the lawyer has any reason to
103 suspect that the funds will not be successfully transferred into the client trust
104 account within two business day of receipt.

105 **(c) Types of trust accounts.**

106 **(1) IOLTA accounts.** A lawyer or law firm who receives client or 3rd-
107 party funds that the lawyer or law firm determines to be nominal in amount or
108 that are expected to be held for a short period of time such that the funds cannot
109 earn income for the benefit of the client or 3rd party in excess of the costs to
110 secure that income, shall maintain a pooled interest-bearing or dividend-paying
111 draft trust account in an IOLTA participating institution.

112 **(2) Non-IOLTA accounts.** A lawyer or law firm who receives client or
113 3rd-party funds that the lawyer or law firm determines to be capable of earning
114 income for the benefit of the client or 3rd party shall maintain an interest-bearing
115 or dividend-paying non-IOLTA trust account. A non-IOLTA trust account shall
116 be established as any of the following:

- 117 a. A separate interest-bearing or dividend-paying trust account
118 maintained for the particular client or 3rd party, the interest or dividends on
119 which shall be paid to the client or 3rd party, less any transaction costs.

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120 b. A pooled interest-bearing or dividend-paying trust account with sub-
121 accounting by the financial institution, the lawyer, or the law firm that will
122 provide for computation of interest or dividends earned by each client's or 3rd
123 party's funds and the payment of the interest or dividends to the client or 3rd
124 party, less any transaction costs.

125 c. An income-generating investment vehicle selected by the client and
126 designated in specific written instructions from the client or authorized by a
127 court or other tribunal, on which income shall be paid to the client or 3rd party
128 or as directed by the court or other tribunal, less any transaction costs.

129 d. An income-generating investment vehicle selected by the lawyer to
130 protect and maximize the return on funds in a bankruptcy estate, which
131 investment vehicle is approved by the bankruptcy trustee or by a bankruptcy
132 court order, or otherwise consistent with 11 U.S.C. § 345.

133 e. A draft account or other account that does not bear interest or pay
134 dividends because it holds funds the lawyer has determined are not eligible for
135 deposit in an IOLTA account because they are neither nominal in amount nor
136 expected to be held for a short term such that the funds cannot earn income for
137 the client or 3rd party in excess of the costs to secure the income, provided that
138 the account has been designated in specific written instructions from the client
139 or 3rd party.

140 **(3) Selection of account.** In deciding whether to use the account
141 specified in par. (1) or an account or investment vehicle specified in par. (2), a
142 lawyer shall determine, at the time of the deposit, whether the client or 3rd-party
143 funds could be utilized to provide a positive net return to the client or 3rd party
144 by taking into consideration all of the following:

145 a. The amount of interest, dividends, or other income that the funds would
146 earn or pay during the period the funds are expected to be on deposit.

147 b. The cost of establishing and administering a non-IOLTA trust account,
148 including the cost of the lawyer's services and the cost of preparing any tax
149 reports required for income accruing to a client's or 3rd party's benefit.

150 c. The capability of the financial institution, lawyer, or law firm to
151 calculate and pay interest, dividends, or other income to individual clients or 3rd
152 parties.

153 d. Any other circumstance that affects the ability of the client's or 3rd
154 party's funds to earn income in excess of the costs to secure that income for the
155 client or 3rd party.

156 **(4) Professional judgment.** The determination whether funds to be
157 invested could be utilized to provide a positive net return to the client or 3rd
158 party rests in the sound judgment of the lawyer or law firm. If a lawyer acts in

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159 good faith in making this determination, the lawyer is not subject to any charge
160 of ethical impropriety or other breach of the Rules of Professional Conduct.

161 (d) **Interest on Lawyer Trust Account (IOLTA) requirements.**

162 (1) **Location.** An IOLTA account shall be maintained only at an IOLTA
163 participating institution.

164 (2) **Certification by IOLTA participating institutions.**

165 a. Each IOLTA participating institution shall certify to WisTAF annually
166 that the financial institution meets the requirements of sub. (d)(3) to (6) for
167 IOLTA accounts and that it reports overdrafts on draft trust accounts and draft
168 fiduciary accounts of lawyers and law firms to the office of lawyer regulation,
169 pursuant to the institution's agreements with those lawyers and law firms.
170 WisTAF shall by rule adopted under SCR 13.03(1) establish the date by which
171 IOLTA participating institutions shall certify their compliance.

172 b. WisTAF shall confirm annually, by a date established by WisTAF by
173 rule adopted under SCR 13.03(1), the accuracy of a financial institution's
174 certification under sub. (d)(2)a. by reviewing one or more of the following:

175 1. The IOLTA comparability rate information form submitted by the
176 financial institution to WisTAF.

177 2. Rate and product information published by the financial institution.

178 3. Other publicly or commercially available information regarding
179 products and interest rates available at the financial institution.

180 c. WisTAF shall publish annually, no later than the date on which the
181 state bar mails annual dues statements to members of the bar, a list of all
182 financial institutions that have certified, and have been confirmed by WisTAF
183 as IOLTA participating institutions. WisTAF shall update the published list
184 located on its website to add newly confirmed IOLTA participating institutions
185 and to remove financial institutions that WisTAF cannot confirm as IOLTA
186 participating institutions.

187 d. Prior to removing any financial institution from the list of IOLTA
188 participating institutions or failing to include any financial institution on the list
189 of IOLTA participating institutions, WisTAF shall first provide the financial
190 institution with notice and sufficient time to respond. In the event a financial
191 institution is removed from the list of IOLTA participating institutions, WisTAF
192 shall notify the office of lawyer regulation and provide that office with a list of
193 the lawyers and law firms maintaining IOLTA accounts at that financial
194 institution. The office of lawyer regulation shall notify those lawyers and law
195 firms of the removal of the financial institution from the list, and provide time
196 for those lawyers and law firms to move their IOLTA accounts to an IOLTA
197 participating institution.

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198 e. Lawyers and law firms may rely on the most recently published list of
199 IOLTA participating institutions for purposes of compliance with sub. (c)(1),
200 except when the office of lawyer regulation notifies the lawyer or law firm of
201 removal, in accordance with sub. (d)(2)d.

202 **(3) Safekeeping requirements.**

203 a. An IOLTA participating institution shall comply with the insurance
204 and safety requirements of sub. (b)(5).

205 b. A repurchase agreement utilized for an IOLTA account may be
206 established only at an IOLTA participating institution deemed to be "well-
207 capitalized" or "adequately capitalized" as defined by applicable federal statutes
208 and regulations.

209 c. An open-end money market fund utilized for an IOLTA account may
210 be established only at an IOLTA participating institution in a fund that holds
211 itself out as a money market fund as defined under the Investment Act of 1940
212 and, at the time of investment, has total assets of at least \$250,000,000.

213 **(4) Income requirements.**

214 a. **Beneficial owner.** The interest or dividends accruing on an IOLTA
215 account, less any allowable reasonable fees, as allowed under par. (5), shall be
216 paid to WisTAF, which shall be considered the beneficial owner of the earned
217 interest or dividends, pursuant to SCR Chapter 13.

218 b. **Interest and dividend requirements.** An IOLTA account shall bear
219 the highest non-promotional interest rate or dividend that is generally available
220 to non-IOLTA customers at the same branch or main office location when the
221 IOLTA account meets or exceeds the same eligibility qualifications, if any,
222 including a minimum balance, required at that same branch or main office
223 location. In determining the highest rate or dividend available, the IOLTA
224 participating institution may consider factors in addition to the IOLTA account
225 balance that are customarily considered by the institution at that branch or main
226 office location when setting interest rates or dividends for its customers,
227 provided the institution does not discriminate between IOLTA accounts and
228 accounts of non-IOLTA customers and that these factors do not include that the
229 account is an IOLTA account. However, IOLTA participating institutions may
230 voluntarily choose to pay higher rates.

231 c. **IOLTA account.** An IOLTA participating institution may establish
232 an IOLTA account as, or convert an IOLTA account to, any of the following
233 types of accounts, assuming the particular financial institution at that branch or
234 main office location offers these account types to its non-IOLTA customers, and
235 the particular IOLTA account meets the eligibility qualifications to be
236 established as this type of account at the particular branch or main office
237 location:

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238 1. A business checking account with an automated or other automatic
239 investment sweep feature into a daily financial institution repurchase agreement
240 or open-end money market fund. A daily financial institution repurchase
241 agreement must be invested in United States government securities. An open-
242 end money market fund must consist solely of United States government
243 securities or repurchase agreements fully collateralized by United States
244 government securities, or both. In this par. c.1., "United States government
245 securities" include securities of government-sponsored entities, such as, but not
246 limited to, securities of, or backed by, the Federal National Mortgage
247 Association, the Government National Mortgage Association, and the Federal
248 Home Loan Mortgage Corporation;

249 2. A checking account paying preferred interest rates, such as money
250 market or indexed rates;

251 3. An interest-bearing checking account such as a negotiable order of
252 withdrawal (NOW) account or business checking account with interest; and

253 4. Any other suitable interest-bearing or dividend-paying account offered
254 by the institution to its non-IOLTA customers.

255 **d. Options for compliance.** An IOLTA participating institution may:

256 1. Establish the comparable product for qualifying IOLTA accounts,
257 subject to the direction of the lawyer or law firm; or,

258 2. Pay the highest non-promotional interest rate or dividend, as defined
259 in sub. (d)(4)b., less any allowable reasonable fees charged in connection with
260 the comparable highest interest rate or dividend product, on the IOLTA
261 checking account in lieu of actually establishing the comparable highest interest
262 rate or dividend product.

263 **e. Paying rates above comparable rates.** An IOLTA participating
264 institution may pay a set rate above its comparable rates on the IOLTA checking
265 account negotiated with WisTAF that is fixed over a period of time set by
266 WisTAF, such as 12 months.

267 **(5) Allowable reasonable fees on IOLTA accounts.**

268 a. Allowable reasonable fees on an IOLTA account are as follows:

269 1. Per check charges.

270 2. Per deposit charges.

271 3. Fees in lieu of minimum balance.

272 4. Sweep fees.

273 5. An IOLTA administrative fee approved by WisTAF.

274 6. Federal deposit insurance fees.

275 b. Allowable reasonable fees may be deducted from interest earned or
276 dividends paid on an IOLTA account, provided that the fees are calculated in
277 accordance with an IOLTA participating institution's standard practice for non-

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278 IOLTA customers. Fees in excess of the interest earned or dividends paid on
279 the IOLTA account for any month or quarter shall not be taken from interest or
280 dividends of any other IOLTA accounts. No fees that are authorized under SCR
281 20:1.15(d)(5) shall be assessed against or deducted from the principal of any
282 IOLTA account. All other fees are the responsibility of, and may be charged to,
283 the lawyer or law firm maintaining the IOLTA account. IOLTA participating
284 institutions may elect to waive any or all fees on IOLTA accounts.

285 **(6) Remittance and reporting requirements.** A lawyer or law firm
286 shall direct the IOLTA participating institution at which the lawyer or law firm's
287 IOLTA account is located to do all of the following, on at least a quarterly basis:

288 a. Remit to WisTAF the interest or dividends, less allowable reasonable
289 fees as allowed under par. (5), if any, on the average monthly balance in the
290 account or as otherwise computed in accordance with the IOLTA participating
291 institution's standard accounting practice.

292 b. Provide to WisTAF a remittance report showing for each IOLTA
293 account the name of the lawyer or law firm for whose IOLTA account the
294 remittance is sent, the rate and type of interest or dividend applied, the amount
295 of allowable reasonable fees deducted, if any, the average account balance for
296 the period for which the report is made, and the amount of remittance
297 attributable to each IOLTA account.

298 c. Provide to the depositing lawyer or law firm a remittance report in
299 accordance with the participating institution's normal procedures for reporting
300 account activity to depositors.

301 d. Respond to reasonable requests from WisTAF for information needed
302 for purposes of confirming the accuracy of an IOLTA participating institution's
303 certification.

304 **(e) Prompt notice and delivery of property.**

305 **(1) Notice and delivery.** Upon receiving funds or other property in
306 which a client has an interest, or in which a lawyer has received notice that a 3rd
307 party has an interest identified by a lien, court order, judgment, or contract, the
308 lawyer shall promptly notify the client or 3rd party in writing. Except as stated
309 in this rule or otherwise permitted by law or by agreement with the client, the
310 lawyer shall promptly deliver to the client or 3rd party any funds or other
311 property that the client or 3rd party is entitled to receive.

312 **(2) Accounting.** Upon final distribution of any trust property or upon
313 request by the client or a 3rd party having an ownership interest in the property,
314 a lawyer shall promptly render a full written accounting regarding the property.

315 **(3) Disputes regarding trust property.** When a lawyer and another
316 person or a client and another person claim an ownership interest in trust
317 property identified by a lien, court order, judgment, or contract, the lawyer shall

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318 hold that property in trust until there is an accounting and severance of the
319 interests. If a dispute arises regarding the division of the property, the lawyer
320 shall hold the disputed portion in trust until the dispute is resolved. Disputes
321 between the lawyer and a client are subject to the provisions of SCR 20:1.5(h).

322 (4) **Burden of proof.** A lawyer's failure to promptly deliver trust
323 property to a client or 3rd party entitled to the trust property, promptly submit
324 trust account records to the office of lawyer regulation or promptly provide an
325 accounting of trust property to the office of lawyer regulation shall result in a
326 presumption that the lawyer has failed to hold trust property in trust, contrary to
327 SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's
328 production of records or an accounting that overcomes this presumption by
329 clear, satisfactory, and convincing evidence.

330 (f) **Security requirements and restricted transactions.**

331 (1) **Security of transactions.** A lawyer is responsible for the security of
332 each transaction in the lawyer's trust account and shall not conduct or authorize
333 transactions for which the lawyer does not have commercially reasonable
334 security measures in place. A lawyer shall establish and maintain safeguards to
335 assure that each disbursement from a trust account has been authorized by the
336 lawyer and that each disbursement is made to the appropriate payee. ~~Only a~~
337 ~~lawyer admitted to practice law in this jurisdiction or a person under the~~
338 ~~supervision of a lawyer having responsibility under SCR 20:5.3 shall have~~
339 ~~signatory and transfer authority for a trust account. Every check, draft,~~
340 ~~electronic transfer, or other withdrawal instrument or authorization shall be~~
341 ~~personally signed or, in the case of electronic, telephone, or wire transfer,~~
342 ~~directed by one or more lawyers authorized by the law firm or a person under~~
343 ~~the supervision of a lawyer having responsibility under SCR 20:5.3. A lawyer~~
344 ~~shall replace any and all funds that have been withdrawn from a trust account~~
345 ~~by a financial institution or card issuer, and reimburse the trust account for~~
346 ~~any shortfall or negative balance caused by a chargeback, surcharge, or ACH~~
347 ~~reversal within three business days of receiving actual notice that a~~
348 ~~chargeback, surcharge, or ACH reversal has been made against the trust~~
349 ~~account; and the lawyer shall reimburse the trust account for any chargeback,~~
350 ~~surcharge, or ACH reversal prior to accepting a new electronic deposit.~~

351 (2) **Prohibited transactions.**

352 a. Cash. No withdrawal of cash shall be made from a trust account or
353 from a deposit to a trust account. No check shall be made payable to "Cash."
354 No withdrawal shall be made from a trust account by automated teller or cash
355 dispensing machine.

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356 **b. Telephone transfers.** 1. Except as provided in SCR 20:1.15(f)(2)b.2.,
357 no deposits or disbursements shall be made to or from a pooled trust account by
358 a telephone transfer of funds.

359 2. Wire transfers may be initiated by telephone, and telephone transfers
360 may be made between non-pooled trust accounts that a lawyer maintains for a
361 particular client.

362 ~~**c. Electronic transfers by 3rd parties.** A lawyer shall not authorize a
363 3rd party to electronically withdraw funds from a trust account. A lawyer shall
364 not authorize a 3rd party to deposit funds into the lawyer's trust account through
365 a form of electronic deposit that allows the 3rd party making the deposit to
366 withdraw the funds without the permission of the lawyer.~~

367 ~~(3) **omitted Electronic transactions.** A lawyer shall not make deposits
368 to or disbursements from a trust account by way of an electronic transaction,
369 except as provided in SCR 20:1.15(f)(3)a. through e.~~

370 ~~**a. Remote Deposit.** A lawyer may make remote deposits to a trust
371 account, provided that the lawyer keeps a record of the client or matter to which
372 each remote deposit relates, and that the lawyer's financial institution maintains
373 an image of the front and reverse of each remote deposit for a period of at least
374 six years.~~

375 ~~**b. E-Banking Trust Account.** A lawyer may accept funds paid by credit
376 card, debit card, prepaid or other types of payment cards, and other electronic
377 deposits, and may disburse funds by electronic transactions that are not
378 prohibited by sub. (f)(2)c., provided that the lawyer does all of the following:~~

379 ~~1. Maintains an IOLTA account, which shall be the primary IOLTA
380 account, in which no electronic transactions shall be conducted other than those
381 transferring funds from the primary IOLTA to the E-Banking Trust Account for
382 purposes of making an electronic disbursement, or those transactions authorized
383 by SCR 20:1.15(f)(3)a., (3)b.4.a., and (3)b.4.d.~~

384 ~~2. Maintains a separate IOLTA account with commercially reasonable
385 account security for electronic transactions, which shall be entitled: "E-Banking
386 Trust Account."~~

387 ~~3. Holds lawyer or law firm funds in the E-Banking Trust Account
388 reasonably sufficient to cover monthly account fees and fees deducted from
389 deposits and maintains a ledger for those account fees.~~

390 ~~4. Transfers the gross amount of each deposit within three business days
391 after the deposit is available for disbursement, and if necessary, adds funds
392 belonging to the lawyer or law firm to cover any deduction of fees and
393 surcharges relating to the deposit, in accordance with all of the following:~~

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394 a. ~~All advanced costs and advanced fees held in trust under SCR 20:1.5(f)~~
395 ~~shall be transferred to the primary IOLTA account by check or by electronic~~
396 ~~transaction.~~

397 b. ~~Earned fees, cost reimbursements, and advanced fees that are subject~~
398 ~~to the requirements of SCR 20:1.5(g) shall be transferred to the business account~~
399 ~~by check or by electronic transaction.~~

400 c. ~~Any funds that the client has directed be disbursed by electronic~~
401 ~~transfer shall be promptly disbursed from the E Banking Trust Account by~~
402 ~~electronic transaction.~~

403 d. ~~All funds received in trust other than funds identified in SCR~~
404 ~~20:1.15(f)(3)b.4.a., b., and c. shall be transferred to the primary IOLTA account~~
405 ~~by check or by electronic transaction.~~

406 e. ~~Except for funds identified in SCR 20:1.15(f)(3)b.4.a. and b., a lawyer~~
407 ~~or law firm shall not be prohibited from deducting electronic transfer fees or~~
408 ~~surecharges from the client's funds, provided the client has agreed in writing to~~
409 ~~accept the electronic payment after being advised of the anticipated fees and~~
410 ~~surecharges.~~

411 5. ~~Identifies the client matter and the reason for disbursement on the~~
412 ~~memo line of each check used to disburse funds; records in the financial~~
413 ~~institution's electronic payment system the date, amount, payee, client matter,~~
414 ~~and reason for the disbursement for each electronic transaction; and makes no~~
415 ~~disbursements by credit card, debit card, prepaid or other types of payment~~
416 ~~cards, or any other electronic payment system that does not generate a record of~~
417 ~~the date, amount, payee, client matter, and reason for the disbursement in the~~
418 ~~financial institution's electronic payment system.~~

419 6. ~~Replaces any and all funds that have been withdrawn from the E-~~
420 ~~Banking Trust Account by the financial institution or card issuer, and reimburses~~
421 ~~the account for any shortfall or negative balance caused by a chargeback,~~
422 ~~surcharge, or ACH reversal within three business days of receiving actual notice~~
423 ~~that a chargeback, surcharge, or ACH reversal has been made against the E-~~
424 ~~Banking Trust Account; and reimburses the E Banking Trust Account for any~~
425 ~~chargeback, surcharge, or ACH reversal prior to accepting a new electronic~~
426 ~~deposit or transferring funds from the primary IOLTA to the E Banking Trust~~
427 ~~Account for purposes of making an electronic disbursement.~~

428 c. ~~Alternative to E Banking Trust Account.~~ A lawyer may deposit
429 funds paid by credit card, debit card, prepaid or other types of payment cards,
430 and other electronic deposits into a trust account, and may disburse funds from
431 that trust account by electronic transactions that are not prohibited by sub.
432 (f)(2)e., without establishing a separate E Banking Trust Account, provided that
433 all of the following conditions are met:

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434 ~~1. The lawyer or law firm maintains commercially reasonable account~~
435 ~~security for electronic transactions.~~

436 ~~2. The lawyer or law firm maintains a bond or crime insurance policy in~~
437 ~~an amount sufficient to cover the maximum daily account balance during the~~
438 ~~prior calendar year.~~

439 ~~3. The lawyer or law firm arranges for all chargebacks, ACH reversals,~~
440 ~~monthly account fees, and fees deducted from deposits to be deducted from the~~
441 ~~lawyer's or law firm's business account; or the lawyer or law firm replaces any~~
442 ~~and all funds that have been withdrawn from the trust account by the financial~~
443 ~~institution or card issuer within three business days of receiving actual notice~~
444 ~~that a chargeback, surcharge, or ACH reversal has been made against the trust~~
445 ~~account; and the lawyer or law firm reimburses the account for any shortfall or~~
446 ~~negative balance caused by a chargeback, surcharge, or ACH reversal. The~~
447 ~~lawyer shall reimburse the trust account for any chargeback, surcharge, or ACH~~
448 ~~reversal prior to disbursing funds from the trust account.~~

449 ~~4. The lawyer or law firm identifies the client matter and the reason for~~
450 ~~disbursement on the memo line of each check used to disburse funds; records in~~
451 ~~the financial institution's electronic payment system the date, amount, payee,~~
452 ~~client matter, and reason for the disbursement for each electronic transaction;~~
453 ~~and makes no disbursements by credit card, debit card, prepaid or other types of~~
454 ~~payment cards, or any other electronic payment system that does not generate a~~
455 ~~record of the date, amount, payee, client matter, and reason for the disbursement~~
456 ~~in the financial institution's electronic payment system.~~

457 **(4) Availability of funds for disbursement.**

458 **a. Standard for trust account transactions.** A lawyer shall not disburse
459 funds from any trust account unless the deposit from which those funds will be
460 disbursed has cleared, and the funds are available for disbursement.

461 **b. Exception: Real estate transactions.** In closing a real estate
462 transaction, a lawyer's disbursement of closing proceeds from funds that are
463 received on the date of the closing, but that have not yet cleared, shall not violate
464 sub. (f)(4)a. provided that the lawyer complies with sub. (f)(4)c., and that the
465 closing proceeds are deposited no later than the first business day following the
466 closing and are comprised of any of the following types of funds:

467 1. A cashier's check, teller's check, money order, official check or
468 electronic transfer of funds, issued or transferred by a financial institution
469 insured by the FDIC or a comparable agency of the federal or state government.

470 2. A check drawn on the trust account of any lawyer or real estate broker
471 licensed under the laws of any state.

472 3. A check issued by the state of Wisconsin, the United States, or a
473 political subdivision of the state of Wisconsin or the United States.

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474 4. A check drawn on the account of or issued by a lender approved by the
475 Federal Department of Housing and Urban Development as either a supervised
476 or a nonsupervised mortgagee as defined in 24 C.F.R. § 202.2.

477 5. A check from a title insurance company licensed in Wisconsin, or from
478 a title insurance agent of the title insurance company, if the title insurance
479 company has guaranteed the funds of that title insurance agent.

480 6. A non-profit organization check in an amount not exceeding \$5000 per
481 closing if the lawyer has reasonable and prudent grounds to believe that the
482 deposit will be irrevocably credited to the trust account.

483 7. A personal check or checks in an aggregate amount not exceeding
484 \$5000 per closing if the lawyer has reasonable and prudent grounds to believe
485 that the deposit will be irrevocably credited to the trust account.

486 **c. Uncollected funds.** Without limiting the rights of the lawyer against
487 any person, it is the responsibility of the disbursing lawyer to reimburse the trust
488 account for any funds described in sub. (f)(4)b. that are not collected and for any
489 fees, charges, and interest assessed by the financial institution on account of the
490 funds being disbursed before the related deposit has cleared and the funds are
491 available for disbursement. The lawyer shall maintain a subsidiary ledger for
492 funds of the lawyer that are deposited in the trust account to reimburse the
493 account for uncollected funds and to accommodate any fees, charges, and
494 interest.

495 **d. Exception: Collection trust accounts.** When handling collection
496 work for a client and maintaining a separate trust account to hold funds collected
497 on behalf of that client, a lawyer's disbursement to the client of collection
498 proceeds that have not yet cleared does not violate sub. (f)(4)a. so long as those
499 collection proceeds have been deposited prior to the disbursement.

500 **(g) Record keeping requirements for all trust accounts.**

501 **(1) Record retention.** A lawyer shall maintain and preserve complete
502 records of trust account funds, all deposits and disbursements, and other trust
503 property and shall preserve those records for at least six years after the date of
504 termination of the representation. Electronic records shall be backed up by an
505 appropriate storage device. The office of lawyer regulation shall publish
506 guidelines for trust account record keeping.

507 **(2) Record production.** All trust account records have public aspects
508 related to a lawyer's fitness to practice. Upon request of the office of lawyer
509 regulation, or upon direction of the supreme court, the records shall be submitted
510 to the office of lawyer regulation for its inspection, audit, use, and evidence
511 under any conditions to protect the privilege of clients that the court may
512 provide. The records, or an audit of the records, shall be produced at any
513 disciplinary proceeding involving the lawyer, whenever material.

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514 (3) **Burden of proof.** A lawyer's failure to promptly deliver trust property
515 to a client or 3rd party entitled to that trust property, promptly submit trust
516 account records to the office of lawyer regulation, or promptly provide an
517 accounting of trust property to the office of lawyer regulation shall result in a
518 presumption that the lawyer has failed to hold trust property in trust, contrary to
519 SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's
520 production of records or an accounting that overcomes this presumption by
521 clear, satisfactory, and convincing evidence.

522 (h) **Dishonored payment notification (Overdraft notices).** All draft
523 trust accounts, and any draft fiduciary account that is not subject to an alternative
524 protection under sub. (k)(10), are subject to the following provisions on
525 dishonored payment notification:

526 (1) **Overdraft reporting agreement.** A lawyer shall maintain draft trust
527 and fiduciary accounts only in a financial institution that has agreed to provide
528 an overdraft report to the office of lawyer regulation under par. (2). A lawyer or
529 law firm shall notify the financial institution at the time a trust account or
530 fiduciary account is established that the account is subject to this subsection.

531 (2) **Overdraft report.** In the event any properly payable instrument or
532 electronic transaction is presented against or made from a lawyer trust or
533 fiduciary account containing insufficient funds, whether or not the instrument
534 or electronic transaction is honored, the financial institution shall report the
535 overdraft to the office of lawyer regulation.

536 (3) **Content of report.** All reports made by a financial institution under
537 this subsection shall be substantially in the following form:

538 a. In the case of a dishonored instrument or electronic transaction, the
539 report shall be identical to an overdraft notice customarily forwarded to the
540 depositor or investor, accompanied by the dishonored instrument or electronic
541 transaction, if a copy is normally provided to the depositor or investor.

542 b. In the case of instruments or electronic transactions that are presented
543 against insufficient funds and are honored, the report shall identify the financial
544 institution involved, the lawyer or law firm, the account, the date on which the
545 instrument or electronic transaction is paid, and the amount of overdraft created
546 by the payment.

547 (4) **Timing of report.** A report made under this subsection shall be made
548 simultaneously with the overdraft notice given to the depositor or investor.

549 (5) **Confidentiality of report.** A report made by a financial institution
550 under this subsection shall be subject to SCR 22.40, Confidentiality.

551 (6) **Withdrawal of report by financial institution.** The office of lawyer
552 regulation shall hold each overdraft report for 10 business days to enable the
553 financial institution to withdraw a report provided by inadvertence or mistake.

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554 The deposit of additional funds by the lawyer or law firm shall not constitute
555 reason for withdrawing an overdraft report.

556 (7) **Lawyer compliance.** Every lawyer shall comply with the reporting
557 and production requirements of this subsection, including filing of an overdraft
558 notification agreement for each IOLTA account, each draft-type trust account
559 and each draft-type fiduciary account that is not subject to an alternative
560 protection under sub. (k)(10).

561 (8) **Service charges.** A financial institution may charge a lawyer or law
562 firm for the reasonable costs of producing the reports and records required by
563 this rule.

564 (9) **Immunity of financial institution.** This subsection does not create
565 a claim against a financial institution or its officers, directors, employees, or
566 agents for failure to provide a trust account overdraft report or for compliance
567 with this subsection.

568 (i) **Trust account certificate and acknowledgements.**

569 (1) **Annual requirement.** A member of the state bar of Wisconsin shall
570 file with the state bar of Wisconsin annually, with payment of the member's state
571 bar dues or upon any other date approved by the supreme court, a certificate as
572 to whether the member is engaged in the practice of law in Wisconsin. If the
573 member is practicing law, the member shall certify the name, address, and
574 telephone number of each financial institution in which the member maintains
575 a trust account, a fiduciary account, or a safe deposit box. The state bar shall
576 supply to each member, with the annual dues statement, or at any other time
577 directed by the supreme court, a form on which this certification shall be made.

578 (2) **Certification by law firm.** A law firm shall file one certificate of
579 accounts on behalf of the lawyers in the firm who are required to file a certificate
580 under par. (1).

581 (3) **Compliance with SCR 20:1.15.** Each state bar member shall
582 acknowledge on the annual dues statement, or another form approved by the
583 supreme court, that the member is aware of all of the following requirements of
584 this rule:

585 a. That SCR 20:1.15 establishes fiduciary obligations for trust and
586 fiduciary property that comes into the member's possession, including the duty
587 to hold that property in trust separate from the member's own property, to
588 safeguard that property, to maintain complete records of that property, to
589 account fully for that property, and to promptly deliver that property to the
590 owner.

591 b. That SCR 20:1.15 requires a member to maintain each IOLTA account
592 in an IOLTA participating institution, to file an overdraft agreement with the
593 office of lawyer regulation for each account that is subject to SCR 20:1.15(h)

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594 and (k)(10), and to annually report all trust and fiduciary accounts to the state
595 bar of Wisconsin that are not subject to an exception under SCR 20:1.15(m).

596 (4) **Suspension for non-compliance.** A state bar member who fails to
597 file the acknowledgements required by sub. (i)(3) or a trust account certificate,
598 unless a certificate of accounts is filed by the law firm, is subject to the automatic
599 suspension of the member's membership in the state bar in the same manner
600 provided in SCR 10.03(6) for nonpayment of dues.

601 (j) **Multi-jurisdictional practice.** If a lawyer also licensed in another
602 state is entrusted with funds or property in connection with a representation in
603 the other state, the provisions of this rule shall not supersede the applicable rules
604 of the other state.

605 (k) **Fiduciary property.**

606 (1) **Segregation of fiduciary property.** A lawyer shall hold in trust,
607 separate from the lawyer's own funds or property, those funds or that property
608 of clients or 3rd parties that are in the lawyer's possession when acting in a
609 fiduciary capacity.

610 (2) **Accounting.** Upon final distribution of any fiduciary property or
611 upon request by a client or a 3rd party having an ownership interest in the
612 property, a lawyer shall promptly render a full written accounting regarding the
613 property.

614 (3) **Fiduciary accounts.** A lawyer shall deposit all fiduciary funds
615 specified in par. (1) in any of the following:

616 a. A separate interest-bearing or dividend-paying fiduciary account on
617 which interest or dividends shall be paid to the fiduciary entity or its beneficiary
618 or beneficiaries, less any taxes and expenses of the fiduciary entity.

619 b. A pooled interest-bearing or dividend-paying fiduciary account with
620 sub-accounting by the financial institution, the lawyer, or the law firm that will
621 provide for computation of interest or dividends earned by each fiduciary
622 entity's funds and the proportionate allocation of the interest or dividends to each
623 of the fiduciary entities, less any taxes and expenses of the fiduciary entity.

624 c. An income-generating investment vehicle, on which income shall be
625 paid to the fiduciary entity or its beneficiary or beneficiaries, less any taxes and
626 expenses of the fiduciary entity.

627 d. An income-generating investment vehicle selected by the lawyer and
628 approved by a court for guardianship funds if the lawyer serves as guardian for
629 a ward under Ch. 54 and subject to Ch. 881, Wis. Stats.

630 e. An income-generating investment vehicle selected by the lawyer to
631 protect and maximize the return on funds in a bankruptcy estate, which
632 investment vehicle is approved by the bankruptcy trustee, by a bankruptcy court
633 order, or otherwise consistent with 11 U.S.C. § 345.

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634 f. A draft account or other account that does not bear interest or pay
635 dividends when, in the lawyer's professional judgment, placement in the account
636 is consistent with the needs and purposes of the fiduciary entity or its beneficiary
637 or beneficiaries.

638 (4) **Location.** Each fiduciary account shall be maintained in a financial
639 institution as provided by the written authorization of the client, the governing
640 trust instrument, organizational by-laws, an order of a court, or, absent such
641 direction, in a financial institution that, in the lawyer's professional judgment,
642 will best serve the needs and purposes of the client or 3rd party for whom the
643 lawyer serves as fiduciary. If a lawyer acts in good faith in making this
644 determination, the lawyer is not subject to any charge of ethical impropriety or
645 other breach of the Rules of Professional Conduct. When the fiduciary property
646 is held in a draft account and the account is at a financial institution that is not
647 located in Wisconsin or authorized by state or federal law to do business in
648 Wisconsin, the lawyer shall comply with the requirements of sub. (k)(10)b., c.,
649 d., e., or f.

650 (5) **Cash transactions prohibited.**~~Prohibited transactions.~~

651 ~~a. Cash.~~ No withdrawal of cash shall be made from a fiduciary account
652 or from a deposit to a fiduciary account. No check shall be made payable to
653 "Cash." No withdrawal shall be made from a fiduciary account by automated
654 teller or cash dispensing machine.

655 ~~b. Card transactions.~~ A lawyer shall not authorize transactions by way
656 of credit, debit, prepaid or other types of payment cards to or from a fiduciary
657 account.

658 (6) **Availability of funds for disbursement.** A lawyer shall not disburse
659 funds from a fiduciary account unless the deposit from which those funds will
660 be disbursed has cleared and the funds are available for disbursement. The
661 exception for real estate transactions in sub. (f)(4)(3)b. shall apply to fiduciary
662 accounts.

663 (7) **Record retention.** A lawyer shall maintain and preserve complete
664 records of fiduciary account funds, all deposits and disbursements, and other
665 fiduciary property and shall preserve those records for the six most recent years
666 during which the lawyer served as a fiduciary and shall preserve at a minimum,
667 a summary accounting of all fiduciary funds and property for prior years during
668 which the lawyer served as a fiduciary. After the termination of the fiduciary
669 relationship, the lawyer shall preserve the records required by this paragraph for
670 at least six years. Electronic records shall be backed up by an appropriate
671 storage device. The office of lawyer regulation shall publish guidelines for
672 fiduciary account record keeping.

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673 **(8) Record production.** All fiduciary account records have public
674 aspects related to a lawyer's fitness to practice. Upon request of the office of
675 lawyer regulation, or upon direction of the supreme court, the records shall be
676 submitted to the office of lawyer regulation for its inspection, audit, use, and
677 evidence under any conditions to protect the privilege of clients that the court
678 may provide. The records, or an audit of the records, shall be produced at any
679 disciplinary proceeding involving the lawyer, whenever material.

680 **(9) Burden of proof.** A lawyer's failure to promptly submit fiduciary
681 account records to the office of lawyer regulation or promptly provide an
682 accounting of fiduciary property to the office of lawyer regulation shall result in
683 a presumption that the lawyer has failed to hold fiduciary property in trust,
684 contrary to SCR 20:1.15(k)(1). This presumption may be rebutted by the
685 lawyer's production of records or an accounting that overcomes this
686 presumption by clear, satisfactory, and convincing evidence.

687 **(10) Dishonored payment notification or alternative protection.** A
688 lawyer who holds fiduciary property in a draft account from which funds are
689 disbursed through a properly payable instrument or electronic transaction shall
690 take any of the following actions:

691 a. Comply with the requirements of sub. (h) relating to dishonored
692 payment notification (overdraft notices).

693 b. Have the account independently audited by a certified public
694 accountant on at least an annual basis.

695 c. Hold the funds in a draft account, which requires the approval of a co-
696 trustee, co-agent, co-guardian, or co-personal representative before funds may
697 be disbursed from the account.

698 d. Require and document the approval of two people from a group
699 consisting of a lawyer or a member or employee of the lawyer's law firm before
700 funds may be disbursed from the account.

701 e. In the case of an estate or trust, provide an accounting of the
702 administration at least annually to all beneficiaries currently eligible to receive
703 income distributions.

704 f. In the case of a guardianship proceeding in which annual financial
705 accountings must be reviewed by a court, timely file those annual financial
706 accountings with the court.

707 **(11) Fiduciary account certificate and acknowledgements.** Funds
708 held by a lawyer in a fiduciary account are subject to the requirements of sub.
709 (i).

710 **(m) Exceptions to this section.** This rule does not apply in any of the
711 following instances in which a lawyer is acting in a fiduciary capacity:

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712 (1) The lawyer is serving as a bankruptcy trustee, subject to the oversight
713 and accounting requirements of the bankruptcy court or the office of U.S.
714 Trustee.

715 (2) The lawyer is serving as an assignee or receiver under the provisions
716 of Ch. 128, Wis. Stats.

717 (3) The property held by the lawyer when acting in a fiduciary capacity
718 is property held for the benefit of an immediate family member of the lawyer.

719 (4) The lawyer is serving in a fiduciary capacity for a civic, fraternal, or
720 non-profit organization that is not a client and has other officers or directors
721 participating in the governance of the organization.

722 (5) The lawyer is acting in the course of the lawyer's employment by an
723 employer not itself engaged in the practice of law, provided that the lawyer's
724 employment is not ancillary to the lawyer's practice of law.

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728 A lawyer must hold the property of others with the care required of a professional
729 fiduciary. All property that is the property of clients or 3rd parties must be kept separate from
730 the lawyer's business and personal property and, if monies, in one or more trust or fiduciary
731 accounts. Lawyers have duties to keep clear, distinct, and accurate records of all trust
732 transactions, and to be able always to make a full accounting. See, In re Trust Estate of Martin,
733 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

734

735

736 **SCR 20:1.15(a)(2) Electronic transaction.**

737 The types of electronic transactions are developing. For examples of current types of
738 electronic transactions, see the record-keeping guidelines published by the office of lawyer
739 regulation.

740

741 **SCR 20:1.15(b)(1) Separate accounts.**

742 With respect to probate matters, a lawyer's role may be to serve in a fiduciary capacity
743 as the personal representative, to represent an estate's personal representative, or to act as both
744 personal representative and attorney for an estate. SCR 20:1.15(k) applies to funds and
745 property which a lawyer receives, holds, and distributes while serving in the fiduciary role of
746 personal representative. Such funds and property may include, but are not limited to, bank and
747 investment accounts, stocks, and bonds. SCRs 20:1.15(b)-(i) apply to funds and property
748 which a lawyer receives, holds, and distributes in connection with the representation of a
749 client/personal representative or an estate. Such funds include, but are not limited to,
750 advanced legal fees and advanced costs. If a lawyer acts in good faith to safeguard funds and
751 property received in connection with a probate matter, the lawyer is not subject to any charge
752 of ethical impropriety for holding what may be determined to be fiduciary funds in a
753 segregated trust account or in an IOLTA account for a limited period of time, or for holding
754 what may be determined to be trust funds in a fiduciary account.

755

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756 **SCR 20:1.15(b)(5) Insurance and safekeeping requirements.**

757 Pursuant to SCR 20:1.15(b)(5), trust accounts are required to be held in financial or
758 IOLTA participating institutions that are insured by the FDIC, the NCUSIF, the SIPC or any
759 other investment institution financial guaranty insurance. However, since federal law dictates
760 the amount of insurance coverage available from the FDIC, the NCUSIF, and the SIPC, funds
761 in excess of those limits are not insured. Federal law also limits the types of losses that are
762 covered by SIPC insurance. Consequently, the purpose of the insurance and safety
763 requirements is not to guarantee that all funds are adequately insured. Rather, it is to assure
764 that trust funds are held in reputable financial or IOLTA participating institutions and that the
765 funds are eligible for the insurance that is available. The exceptions to the SCR 20:1.15(b)(5)
766 requirement relate to trust property other than funds and to IOLTA accounts that are subject
767 to the safety requirements of SCR 20:1.15(d)(3)b. and c.

768

769 **SCR 20:1.15(b)(6) Advanced legal fee and costs.**

770 While the general rule is that a lawyer must hold trust property separate from the
771 lawyer's own property, SCR 20:1.15(b)(6) allows very limited short-term temporary
772 commingling when accepting an electronic payment for advanced fees or costs.
773 Considering the expense of electronic payment processing providers, this allows a lawyer
774 to maintain only one electronic payment processing provider service and to have it
775 connected to just one bank account, e.g. the law firm's operating account. The lawyer may
776 accept electronic payments for advanced fees or costs to that account without violating
777 SCR 20:1.15(a), so long as any payments for advanced fees or costs are promptly
778 transferred to the lawyer's trust account within two business days.

779 **SCR 20:1.15(d)(3) Safekeeping requirements.**

780 See comment to SCR 20:1.15(b)(5).

781

782 **SCR 20:1.15(d)(4) Income requirements.**

783 Pursuant to SCR 20:1.15(d)(4), IOLTA accounts shall bear the highest non-
784 promotional interest rate or dividend that is generally available to non-IOLTA customers at
785 the same branch or main office location when the IOLTA account meets or exceeds the same
786 eligibility qualifications, if any, including a minimum balance. Investment products,
787 including repurchase agreements and shares of mutual funds, are neither deposits nor federally
788 or FDIC-insured. An investment in a repurchase agreement or money market fund may
789 involve investment risk including possible loss of the principal amount invested. The rule,
790 however, provides safeguards to minimize any potential risk by limiting investment products
791 to repurchase agreements and open-end money market funds that invest in United States
792 government securities only.

793

794 **SCR 20:1.15(e) Prompt notice and delivery of property.**

795 Third parties, such as a client's creditors, may have just claims against funds or other
796 property in a lawyer's custody. A lawyer may have a duty under applicable law, including
797 SCR 20:1.15(e), to protect such 3rd-party claims against wrongful interference by the client,
798 and accordingly, may refuse to surrender the property to the client. However, a lawyer should
799 not unilaterally assume to arbitrate a dispute between the client and the 3rd party. If a lawyer
800 holds property belonging to one person and a second person has a contractual or similar claim
801 against that person but does not claim to own the property or have a security interest in it, the
802 lawyer is free to deliver the property to the person to whom it belongs.

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803

804 **SCR 20:1.15(e)(4) Burden of proof.**

805 A lawyer's failure to comply with the delivery requirements of SCR 20:1.15(e)(1) or
806 the accounting requirements of SCR 20:1.15(e)(2) will result in a presumption that the lawyer
807 has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This presumption can be
808 rebutted by the lawyer's production of records or an accounting that overcomes this
809 presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin,
810 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

811

812 **SCR 20:1.15(f)(1) Security of transactions.**

813 SCR 20:1.15(f)(1) takes into account the modern banking and payments industry,
814 allowing for electronic transfers to and from the trust account, so long as such transfers are
815 authorized in advance by a lawyer in the law firm or a person under a lawyer's direct
816 supervision. Should there be any chargeback, surcharge, or ACH reversal of an electronic
817 payment to the trust account, the lawyer is responsible for replacing any and all such funds
818 within three business days of actual notice of the chargeback, surcharge, or ACH reversal,
819 and the lawyer must reimburse the account prior to accepting any additional electronic
820 deposits.

821 **Approval of disbursements**

822 This rule requires the signature of a lawyer, or a person under the lawyer's direct
823 supervision, on all checks issued from a firm trust account and also requires a lawyer's
824 authorization for all electronic disbursements from a firm trust account. Written
825 confirmation of authorization for electronic disbursements should be maintained as part of
826 complete trust account records.

827 **Costs associated with electronic payments**

828 Electronic payment systems, such as credit cards, routinely impose charges on
829 vendors when a customer pays for goods or services. That charge may be deducted directly
830 from the customer's payment. Vendors who accept credit cards routinely credit the
831 customer with the full amount of the payment and absorb the charges. Before holding a
832 client responsible for these charges, a lawyer should disclose this practice to the client in
833 advance, and assure that the client understands and consents to the charges. This disclosure
834 should be in writing if necessary to comply with SCR 20:1.5(b). In addition, the lawyer
835 should ensure that holding the client responsible for transaction costs does not violate the
836 terms of service of the payment system provider or other law.

837

838 **~~SCR 20:1.15(f)(2)c. Electronic transfers by 3rd parties.~~**

839 ~~Many forms of electronic deposit allow the transferor to remove the funds without the~~
840 ~~consent of the account holder. A lawyer must not only be aware of the financial institution's~~
841 ~~policy but also federal regulations pertaining to the specific form of electronic deposit, and~~
842 ~~must ensure that the transferor is prohibited from withdrawing deposited funds without the~~
843 ~~lawyer's consent.~~

844

845 **SCR 20:1.15(f)(3)a. Remote deposit.**

846 A remote deposit is an electronic deposit of a paper check to a lawyer's trust account.
847 Subject to a lawyer's compliance with the requirements of this subsection, such transactions

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848 are permitted in an IOLTA account that is not an E-Banking IOLTA account. Unlike other
849 types of electronic transactions, remote deposits can be traced to images of the front and
850 reverse of the deposited check, which are retained for at least six years by the lawyer's
851 financial institution, pursuant to banking regulations. This exception was established to
852 facilitate deposits to an IOLTA account of a lawyer who does not utilize multiple types of
853 electronic transactions, making the expense relating to an E-Banking IOLTA account
854 unnecessary. Remote deposits may also be made to a non-pooled account for a particular
855 client, subject to those same requirements.

856

857 ~~SCR 20:1.15(f)(3)b. Exception: E-Banking Trust Account~~

858 Financial institutions, as credit card issuers, routinely impose charges on vendors
859 when a customer pays for goods or services with a credit card. That charge is deducted
860 directly from the customer's payment. Vendors who accept credit cards routinely credit the
861 customer with the full amount of the payment and absorb the charges. Before holding a client
862 responsible for these charges, a lawyer needs to disclose this practice to the client in advance,
863 and assure that the client understands and consents to the charges. In addition, the lawyer
864 needs to investigate the following concerns before accepting payments by credit card:

865 ~~1. Does the credit card issuer prohibit a lawyer/vendor from requiring the~~
866 ~~customer to pay the charge?~~ If a lawyer intends to credit the client for anything less than
867 the full amount of the credit card payment, the lawyer needs to assure that this practice is not
868 prohibited by the credit card issuer's regulations and/or by the agreement between the lawyer
869 and the credit card issuer. Entering into an agreement with a credit card issuer with the intent
870 to violate this type of requirement may constitute conduct involving dishonesty, fraud, or
871 deceit, in violation of SCR 20:8.4(c).

872 ~~2. Does the credit card issuer require services to be rendered before a credit~~
873 ~~card payment for legal fees is accepted?~~ If a lawyer intends to accept fee advances by credit
874 card, the lawyer needs to assure that fee advances are not prohibited by the credit card issuer's
875 regulations and/or by the agreement between the lawyer and the credit card issuer. Entering
876 into an agreement with a credit card issuer with the intent to violate this type of requirement
877 may constitute conduct involving dishonesty, fraud, or deceit, in violation of SCR 20:8.4(c).

878 ~~3. By requiring clients to pay the credit card charges, is the lawyer required to~~
879 ~~make certain specific disclosures to such clients and offer cash discounts to all clients?~~
880 If a lawyer intends to require clients to pay credit card charges, the lawyer needs to assure that
881 the lawyer complies with all state and federal laws relating to such transactions, including, but
882 not limited to, Regulation Z of the Truth in Lending Act, 12 C.F.R. § 206.

883

884 ~~SCR 20:1.15(f)(3)c. Alternative to E-Banking Trust Account~~

885 As an alternative to establishing an E-Banking Trust Account for the purpose of
886 making electronic deposits and disbursements, a lawyer may make electronic deposits to and
887 disbursements from an IOLTA account when additional protections are in place. This
888 alternative may reduce the expense of maintaining two accounts. On the other hand, the
889 alternative requires that the lawyer prevent the electronic withdrawal of funds from the
890 IOLTA account that could occur through chargebacks or reversals against a credit card
891 deposit, or other electronic withdrawals. Specifically, the lawyer must either establish
892 agreements with the lawyer's financial institution and with payment providers to deduct fees,
893 surcharges, and chargebacks from the law firm's business account or reimburse the account

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894 ~~for such deductions with funds belonging to the lawyer or law firm within three business days~~
895 ~~after receiving notice of the deductions. In addition, the lawyer must establish an agreement~~
896 ~~with the financial institution to block debits from the IOLTA account.~~

897

898 **SCR 20:1.15(f)(4)(3)b. Exception: Real estate transactions.**

899 SCR 20:1.15(f)(4)(3)b. establishes an exception to the requirement that a lawyer only
900 disburse funds that are available for disbursement, i.e., funds that have been credited to the
901 account. This exception was created in recognition of the fact that real estate transactions in
902 Wisconsin require a simultaneous exchange of funds. However, even under this exception,
903 the funds from which a lawyer disburses the proceeds of the real estate transaction, i.e., the
904 lender's check, draft, wire transfer, etc., must be deposited no later than the first business day
905 following the date of the closing. In refinancing transactions, the lender's funds must be
906 deposited as soon as possible, but no later than the first business day after the loan proceeds
907 are distributed. Proceeds are generally distributed three days after the closing date.

908

909 **SCR 20:1.15(g)(2) Record production.**

910 The duty of the lawyer to produce client trust account records for inspection under
911 SCR 20:1.15(g)(2) is a specific exception to the lawyer's responsibility to maintain the
912 confidentiality of the client's information as required by SCR 20:1.6.

913

914 **SCR 20:1.15(g)(3) Burden of proof.**

915 A lawyer's failure to comply with the record production requirements of SCR
916 20:1.15(g)(2) or to provide an accounting for trust property will result in a presumption that
917 the lawyer has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This
918 presumption can be rebutted by the lawyer's production of records or an accounting that
919 overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust
920 Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

921

922 **SCR 20:1.15(j) Multi-jurisdictional practice.**

923 This rule does not prohibit a lawyer whose principal office is in another jurisdiction
924 and who permissibly represents clients in Wisconsin matters from using a trust account for
925 Wisconsin matters that is compliant with the rules of the other jurisdiction.

926 **SCR 20:1.15(k)(1) Segregation of fiduciary property.**

927 See comment to SCR 20:1.15(b)(1).

928

929 **SCR 20:1.15(k)(9) Burden of proof.**

930 A lawyer's failure to comply with the record production requirements of SCR
931 20:1.15(k)(8) or to provide an accounting for fiduciary property will result in a presumption
932 that the lawyer has failed to hold fiduciary property in trust, contrary to SCR 20:1.15(k)(1).
933 This presumption can be rebutted by the lawyer's production of records or an accounting that
934 overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust
935 Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

936

SCR 20:1.15 Safekeeping property; trust accounts and fiduciary accounts.

(a) Definitions.

In this section:

(1) "Draft account" means an account upon which funds are withdrawn through a properly payable instrument or an electronic transaction.

(2) "Electronic transaction" means a paperless transfer of funds to or from a trust or fiduciary account. Electronic transactions do not include transfers initiated by voice or automated teller or cash dispensing machines.

(3) "Fiduciary" means an agent, attorney-in-fact, conservator, guardian, personal representative, special administrator, trustee, or other position requiring the lawyer to safeguard the property of a client or 3rd party.

(4) "Fiduciary account" means an account in which the lawyer deposits fiduciary property.

(5) "Fiduciary property" means funds or property of a client or 3rd party that is in a lawyer's possession in a fiduciary capacity. Fiduciary property includes, but is not limited to, property held as agent, attorney-in-fact, conservator, guardian, personal representative, special administrator, or trustee, subject to the exceptions identified in sub. (m).

(6) "Financial institution" means a bank, savings bank, trust company, credit union, savings and loan association, or investment institution, including a brokerage house.

(7) "Immediate family member" means the lawyer's spouse, registered domestic partner, child, stepchild, grandchild, sibling, parent, stepparent, grandparent, aunt, uncle, niece, or nephew.

(8) "Interest on Lawyer Trust Account or 'IOLTA account'" means a pooled interest-bearing or dividend-paying draft trust account, separate from the lawyer's business and personal accounts, which is maintained at an IOLTA participating institution. Typical funds that would be placed in an IOLTA account include earnest monies, loan proceeds, settlement proceeds, collection proceeds, cost advances, and advanced payment of fees that have not yet been earned. An IOLTA account is subject to the provisions of the SCR Chapter 13 and the trust account provisions of subs. (a) to (i), including the IOLTA account provisions of subs. (c) and (d).

(9) "IOLTA participating institution" means a financial institution that voluntarily offers IOLTA accounts and certifies to WisTAF annually that it meets the IOLTA account requirements of sub. (d).

(10) "Properly payable instrument" means an instrument that, if presented in the normal course of business, is in a form requiring payment

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pursuant to the laws of this state.

(11) "Trust account" means an account in which the lawyer deposits trust property.

(12) "Trust property" means funds or property of clients or 3rd parties, which is not fiduciary property, that is in the lawyer's possession in connection with a representation.

(13) "WisTAF" means the Wisconsin Trust Account Foundation, Inc.

(b) **Segregation and safekeeping of trust property.**

(1) **Separate account.** A lawyer shall hold in trust, separate from the lawyer's own property, that property of clients and 3rd parties that is in the lawyer's possession in connection with a representation. All funds of clients and 3rd parties paid to a lawyer or law firm in connection with a representation shall be deposited in one or more identifiable trust accounts. Except as provided by sub. (e), a lawyer shall not hold any funds in a trust account that are unrelated to a representation.

(2) **Identification and location of account.** Each trust account shall be clearly designated as a "Client Account," a "Trust Account," or words of similar import. The account shall be identified as such on all account records, including signature cards, monthly statements, checks, and deposit slips. An acronym, such as "IOLTA," "IOTA," or "LTAB," without further elaboration, does not clearly designate the account as a client account or trust account. Each trust account shall be maintained in a financial institution that is authorized by federal or state law to do business in Wisconsin and that is located in Wisconsin or has a branch office located in Wisconsin and which agrees to comply with the overdraft notice requirements of sub. (h). A trust account may be maintained at a financial institution located in the jurisdiction where the lawyer principally practices law if that jurisdiction has an overdraft notification requirement.

(3) **Lawyer funds.** No funds belonging to a lawyer or law firm, except funds reasonably sufficient to pay monthly account service charges, may be deposited or retained in a trust account. Each lawyer or law firm that receives trust funds shall maintain at least one draft account, other than the trust account, for funds received and disbursed other than in a trust capacity, which shall be entitled "Business Account," "Office Account," "Operating Account," or words of similar import.

(4) **Trust property other than funds.** Unless a client otherwise directs in writing, a lawyer shall keep securities in bearer form in a safe deposit box at a financial institution authorized to do business in Wisconsin. The safe deposit box shall be clearly designated as a "Client Account" or "Trust Account." The

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lawyer shall clearly identify and appropriately safeguard other property of a client or 3rd party.

(5) **Insurance and safekeeping requirements.** Each trust account shall be maintained at a financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), the Securities Investor Protection Corporation (SIPC), or any other investment institution financial guaranty insurance. IOLTA accounts shall also comply with the requirements of sub. (d)(3). Except as provided in subs. (b)(4) and (d)(3)b. and c., trust property shall be held in an account in which each individual owner's funds are eligible for insurance.

(6) **Advanced legal fees and costs.** A lawyer shall deposit into a client trust account legal fees and expenses that have been paid in advance, to be withdrawn by the lawyer only as fees are earned or expenses incurred, except as follows:

a. The lawyer complies with the requirements of SCR 20:1.5(g).

b. The lawyer may accept credit card payments or electronic funds transfer payments of advanced legal fees and expenses as temporary deposits in a non-trust account, so long as such funds are transferred promptly, and no later than two business days following receipt, into a client trust account. However, except as provided by SCR 20:1.5(g), a lawyer shall not accept any advance payment into a non-trust account if the lawyer has any reason to suspect that the funds will not be successfully transferred into the client trust account within two business day of receipt.

(c) **Types of trust accounts.**

(1) **IOLTA accounts.** A lawyer or law firm who receives client or 3rd-party funds that the lawyer or law firm determines to be nominal in amount or that are expected to be held for a short period of time such that the funds cannot earn income for the benefit of the client or 3rd party in excess of the costs to secure that income, shall maintain a pooled interest-bearing or dividend-paying draft trust account in an IOLTA participating institution.

(2) **Non-IOLTA accounts.** A lawyer or law firm who receives client or 3rd-party funds that the lawyer or law firm determines to be capable of earning income for the benefit of the client or 3rd party shall maintain an interest-bearing or dividend-paying non-IOLTA trust account. A non-IOLTA trust account shall be established as any of the following:

a. A separate interest-bearing or dividend-paying trust account maintained for the particular client or 3rd party, the interest or dividends on which shall be paid to the client or 3rd party, less any transaction costs.

b. A pooled interest-bearing or dividend-paying trust account with sub-accounting by the financial institution, the lawyer, or the law firm that will

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provide for computation of interest or dividends earned by each client's or 3rd party's funds and the payment of the interest or dividends to the client or 3rd party, less any transaction costs.

c. An income-generating investment vehicle selected by the client and designated in specific written instructions from the client or authorized by a court or other tribunal, on which income shall be paid to the client or 3rd party or as directed by the court or other tribunal, less any transaction costs.

d. An income-generating investment vehicle selected by the lawyer to protect and maximize the return on funds in a bankruptcy estate, which investment vehicle is approved by the bankruptcy trustee or by a bankruptcy court order, or otherwise consistent with 11 U.S.C. § 345.

e. A draft account or other account that does not bear interest or pay dividends because it holds funds the lawyer has determined are not eligible for deposit in an IOLTA account because they are neither nominal in amount nor expected to be held for a short term such that the funds cannot earn income for the client or 3rd party in excess of the costs to secure the income, provided that the account has been designated in specific written instructions from the client or 3rd party.

(3) Selection of account. In deciding whether to use the account specified in par. (1) or an account or investment vehicle specified in par. (2), a lawyer shall determine, at the time of the deposit, whether the client or 3rd-party funds could be utilized to provide a positive net return to the client or 3rd party by taking into consideration all of the following:

a. The amount of interest, dividends, or other income that the funds would earn or pay during the period the funds are expected to be on deposit.

b. The cost of establishing and administering a non-IOLTA trust account, including the cost of the lawyer's services and the cost of preparing any tax reports required for income accruing to a client's or 3rd party's benefit.

c. The capability of the financial institution, lawyer, or law firm to calculate and pay interest, dividends, or other income to individual clients or 3rd parties.

d. Any other circumstance that affects the ability of the client's or 3rd party's funds to earn income in excess of the costs to secure that income for the client or 3rd party.

(4) Professional judgment. The determination whether funds to be invested could be utilized to provide a positive net return to the client or 3rd party rests in the sound judgment of the lawyer or law firm. If a lawyer acts in good faith in making this determination, the lawyer is not subject to any charge of ethical impropriety or other breach of the Rules of Professional Conduct.

(d) Interest on Lawyer Trust Account (IOLTA) requirements.

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(1) **Location.** An IOLTA account shall be maintained only at an IOLTA participating institution.

(2) **Certification by IOLTA participating institutions.**

a. Each IOLTA participating institution shall certify to WisTAF annually that the financial institution meets the requirements of sub. (d)(3) to (6) for IOLTA accounts and that it reports overdrafts on draft trust accounts and draft fiduciary accounts of lawyers and law firms to the office of lawyer regulation, pursuant to the institution's agreements with those lawyers and law firms. WisTAF shall by rule adopted under SCR 13.03(1) establish the date by which IOLTA participating institutions shall certify their compliance.

b. WisTAF shall confirm annually, by a date established by WisTAF by rule adopted under SCR 13.03(1), the accuracy of a financial institution's certification under sub. (d)(2)a. by reviewing one or more of the following:

1. The IOLTA comparability rate information form submitted by the financial institution to WisTAF.
2. Rate and product information published by the financial institution.
3. Other publicly or commercially available information regarding products and interest rates available at the financial institution.

c. WisTAF shall publish annually, no later than the date on which the state bar mails annual dues statements to members of the bar, a list of all financial institutions that have certified, and have been confirmed by WisTAF as IOLTA participating institutions. WisTAF shall update the published list located on its website to add newly confirmed IOLTA participating institutions and to remove financial institutions that WisTAF cannot confirm as IOLTA participating institutions.

d. Prior to removing any financial institution from the list of IOLTA participating institutions or failing to include any financial institution on the list of IOLTA participating institutions, WisTAF shall first provide the financial institution with notice and sufficient time to respond. In the event a financial institution is removed from the list of IOLTA participating institutions, WisTAF shall notify the office of lawyer regulation and provide that office with a list of the lawyers and law firms maintaining IOLTA accounts at that financial institution. The office of lawyer regulation shall notify those lawyers and law firms of the removal of the financial institution from the list, and provide time for those lawyers and law firms to move their IOLTA accounts to an IOLTA participating institution.

e. Lawyers and law firms may rely on the most recently published list of IOLTA participating institutions for purposes of compliance with sub. (c)(1), except when the office of lawyer regulation notifies the lawyer or law firm of removal, in accordance with sub. (d)(2)d.

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(3) Safekeeping requirements.

a. An IOLTA participating institution shall comply with the insurance and safety requirements of sub. (b)(5).

b. A repurchase agreement utilized for an IOLTA account may be established only at an IOLTA participating institution deemed to be "well-capitalized" or "adequately capitalized" as defined by applicable federal statutes and regulations.

c. An open-end money market fund utilized for an IOLTA account may be established only at an IOLTA participating institution in a fund that holds itself out as a money market fund as defined under the Investment Act of 1940 and, at the time of investment, has total assets of at least \$250,000,000.

(4) Income requirements.

a. **Beneficial owner.** The interest or dividends accruing on an IOLTA account, less any allowable reasonable fees, as allowed under par. (5), shall be paid to WisTAF, which shall be considered the beneficial owner of the earned interest or dividends, pursuant to SCR Chapter 13.

b. **Interest and dividend requirements.** An IOLTA account shall bear the highest non-promotional interest rate or dividend that is generally available to non-IOLTA customers at the same branch or main office location when the IOLTA account meets or exceeds the same eligibility qualifications, if any, including a minimum balance, required at that same branch or main office location. In determining the highest rate or dividend available, the IOLTA participating institution may consider factors in addition to the IOLTA account balance that are customarily considered by the institution at that branch or main office location when setting interest rates or dividends for its customers, provided the institution does not discriminate between IOLTA accounts and accounts of non-IOLTA customers and that these factors do not include that the account is an IOLTA account. However, IOLTA participating institutions may voluntarily choose to pay higher rates.

c. **IOLTA account.** An IOLTA participating institution may establish an IOLTA account as, or convert an IOLTA account to, any of the following types of accounts, assuming the particular financial institution at that branch or main office location offers these account types to its non-IOLTA customers, and the particular IOLTA account meets the eligibility qualifications to be established as this type of account at the particular branch or main office location:

1. A business checking account with an automated or other automatic investment sweep feature into a daily financial institution repurchase agreement or open-end money market fund. A daily financial institution repurchase agreement must be invested in United States government securities. An open-

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end money market fund must consist solely of United States government securities or repurchase agreements fully collateralized by United States government securities, or both. In this par. c.1., "United States government securities" include securities of government-sponsored entities, such as, but not limited to, securities of, or backed by, the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation;

2. A checking account paying preferred interest rates, such as money market or indexed rates;

3. An interest-bearing checking account such as a negotiable order of withdrawal (NOW) account or business checking account with interest; and

4. Any other suitable interest-bearing or dividend-paying account offered by the institution to its non-IOLTA customers.

d. Options for compliance. An IOLTA participating institution may:

1. Establish the comparable product for qualifying IOLTA accounts, subject to the direction of the lawyer or law firm; or,

2. Pay the highest non-promotional interest rate or dividend, as defined in sub. (d)(4)b., less any allowable reasonable fees charged in connection with the comparable highest interest rate or dividend product, on the IOLTA checking account in lieu of actually establishing the comparable highest interest rate or dividend product.

e. Paying rates above comparable rates. An IOLTA participating institution may pay a set rate above its comparable rates on the IOLTA checking account negotiated with WisTAF that is fixed over a period of time set by WisTAF, such as 12 months.

(5) Allowable reasonable fees on IOLTA accounts.

a. Allowable reasonable fees on an IOLTA account are as follows:

1. Per check charges.

2. Per deposit charges.

3. Fees in lieu of minimum balance.

4. Sweep fees.

5. An IOLTA administrative fee approved by WisTAF.

6. Federal deposit insurance fees.

b. Allowable reasonable fees may be deducted from interest earned or dividends paid on an IOLTA account, provided that the fees are calculated in accordance with an IOLTA participating institution's standard practice for non-IOLTA customers. Fees in excess of the interest earned or dividends paid on the IOLTA account for any month or quarter shall not be taken from interest or dividends of any other IOLTA accounts. No fees that are authorized under SCR 20:1.15(d)(5) shall be assessed against or deducted from the principal of any

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IOLTA account. All other fees are the responsibility of, and may be charged to, the lawyer or law firm maintaining the IOLTA account. IOLTA participating institutions may elect to waive any or all fees on IOLTA accounts.

(6) Remittance and reporting requirements. A lawyer or law firm shall direct the IOLTA participating institution at which the lawyer or law firm's IOLTA account is located to do all of the following, on at least a quarterly basis:

a. Remit to WisTAF the interest or dividends, less allowable reasonable fees as allowed under par. (5), if any, on the average monthly balance in the account or as otherwise computed in accordance with the IOLTA participating institution's standard accounting practice.

b. Provide to WisTAF a remittance report showing for each IOLTA account the name of the lawyer or law firm for whose IOLTA account the remittance is sent, the rate and type of interest or dividend applied, the amount of allowable reasonable fees deducted, if any, the average account balance for the period for which the report is made, and the amount of remittance attributable to each IOLTA account.

c. Provide to the depositing lawyer or law firm a remittance report in accordance with the participating institution's normal procedures for reporting account activity to depositors.

d. Respond to reasonable requests from WisTAF for information needed for purposes of confirming the accuracy of an IOLTA participating institution's certification.

(e) Prompt notice and delivery of property.

(1) Notice and delivery. Upon receiving funds or other property in which a client has an interest, or in which a lawyer has received notice that a 3rd party has an interest identified by a lien, court order, judgment, or contract, the lawyer shall promptly notify the client or 3rd party in writing. Except as stated in this rule or otherwise permitted by law or by agreement with the client, the lawyer shall promptly deliver to the client or 3rd party any funds or other property that the client or 3rd party is entitled to receive.

(2) Accounting. Upon final distribution of any trust property or upon request by the client or a 3rd party having an ownership interest in the property, a lawyer shall promptly render a full written accounting regarding the property.

(3) Disputes regarding trust property. When a lawyer and another person or a client and another person claim an ownership interest in trust property identified by a lien, court order, judgment, or contract, the lawyer shall hold that property in trust until there is an accounting and severance of the interests. If a dispute arises regarding the division of the property, the lawyer shall hold the disputed portion in trust until the dispute is resolved. Disputes between the lawyer and a client are subject to the provisions of SCR 20:1.5(h).

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(4) **Burden of proof.** A lawyer's failure to promptly deliver trust property to a client or 3rd party entitled to the trust property, promptly submit trust account records to the office of lawyer regulation or promptly provide an accounting of trust property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold trust property in trust, contrary to SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(f) **Security requirements and restricted transactions.**

(1) **Security of transactions.** A lawyer is responsible for the security of each transaction in the lawyer's trust account and shall not conduct or authorize transactions for which the lawyer does not have commercially reasonable security measures in place. A lawyer shall establish and maintain safeguards to assure that each disbursement from a trust account has been authorized by the lawyer and that each disbursement is made to the appropriate payee. Every check, draft, electronic transfer, or other withdrawal instrument or authorization shall be personally signed or, in the case of electronic, telephone, or wire transfer, directed by one or more lawyers authorized by the law firm or a person under the supervision of a lawyer having responsibility under SCR 20:5.3. A lawyer shall replace any and all funds that have been withdrawn from a trust account by a financial institution or card issuer, and reimburse the trust account for any shortfall or negative balance caused by a chargeback, surcharge, or ACH reversal within three business days of receiving actual notice that a chargeback, surcharge, or ACH reversal has been made against the trust account; and the lawyer shall reimburse the trust account for any chargeback, surcharge, or ACH reversal prior to accepting a new electronic deposit.

(2) **Prohibited transactions.**

a. **Cash.** No withdrawal of cash shall be made from a trust account or from a deposit to a trust account. No check shall be made payable to "Cash." No withdrawal shall be made from a trust account by automated teller or cash dispensing machine.

b. **Telephone transfers.** 1. Except as provided in SCR 20:1.15(f)(2)b.2., no deposits or disbursements shall be made to or from a pooled trust account by a telephone transfer of funds.

2. Wire transfers may be initiated by telephone, and telephone transfers may be made between non-pooled trust accounts that a lawyer maintains for a particular client.

(3) omitted

(4) **Availability of funds for disbursement.**

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a. **Standard for trust account transactions.** A lawyer shall not disburse funds from any trust account unless the deposit from which those funds will be disbursed has cleared, and the funds are available for disbursement.

b. **Exception: Real estate transactions.** In closing a real estate transaction, a lawyer's disbursement of closing proceeds from funds that are received on the date of the closing, but that have not yet cleared, shall not violate sub. (f)(4)a. provided that the lawyer complies with sub. (f)(4)c., and that the closing proceeds are deposited no later than the first business day following the closing and are comprised of any of the following types of funds:

1. A cashier's check, teller's check, money order, official check or electronic transfer of funds, issued or transferred by a financial institution insured by the FDIC or a comparable agency of the federal or state government.

2. A check drawn on the trust account of any lawyer or real estate broker licensed under the laws of any state.

3. A check issued by the state of Wisconsin, the United States, or a political subdivision of the state of Wisconsin or the United States.

4. A check drawn on the account of or issued by a lender approved by the Federal Department of Housing and Urban Development as either a supervised or a nonsupervised mortgagee as defined in 24 C.F.R. § 202.2.

5. A check from a title insurance company licensed in Wisconsin, or from a title insurance agent of the title insurance company, if the title insurance company has guaranteed the funds of that title insurance agent.

6. A non-profit organization check in an amount not exceeding \$5000 per closing if the lawyer has reasonable and prudent grounds to believe that the deposit will be irrevocably credited to the trust account.

7. A personal check or checks in an aggregate amount not exceeding \$5000 per closing if the lawyer has reasonable and prudent grounds to believe that the deposit will be irrevocably credited to the trust account.

c. **Uncollected funds.** Without limiting the rights of the lawyer against any person, it is the responsibility of the disbursing lawyer to reimburse the trust account for any funds described in sub. (f)(4)b. that are not collected and for any fees, charges, and interest assessed by the financial institution on account of the funds being disbursed before the related deposit has cleared and the funds are available for disbursement. The lawyer shall maintain a subsidiary ledger for funds of the lawyer that are deposited in the trust account to reimburse the account for uncollected funds and to accommodate any fees, charges, and interest.

d. **Exception: Collection trust accounts.** When handling collection work for a client and maintaining a separate trust account to hold funds collected on behalf of that client, a lawyer's disbursement to the client of collection

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proceeds that have not yet cleared does not violate sub. (f)(4)a. so long as those collection proceeds have been deposited prior to the disbursement.

(g) Record keeping requirements for all trust accounts.

(1) **Record retention.** A lawyer shall maintain and preserve complete records of trust account funds, all deposits and disbursements, and other trust property and shall preserve those records for at least six years after the date of termination of the representation. Electronic records shall be backed up by an appropriate storage device. The office of lawyer regulation shall publish guidelines for trust account record keeping.

(2) **Record production.** All trust account records have public aspects related to a lawyer's fitness to practice. Upon request of the office of lawyer regulation, or upon direction of the supreme court, the records shall be submitted to the office of lawyer regulation for its inspection, audit, use, and evidence under any conditions to protect the privilege of clients that the court may provide. The records, or an audit of the records, shall be produced at any disciplinary proceeding involving the lawyer, whenever material.

(3) **Burden of proof.** A lawyer's failure to promptly deliver trust property to a client or 3rd party entitled to that trust property, promptly submit trust account records to the office of lawyer regulation, or promptly provide an accounting of trust property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold trust property in trust, contrary to SCR 20:1.15(b)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(h) **Dishonored payment notification (Overdraft notices).** All draft trust accounts, and any draft fiduciary account that is not subject to an alternative protection under sub. (k)(10), are subject to the following provisions on dishonored payment notification:

(1) **Overdraft reporting agreement.** A lawyer shall maintain draft trust and fiduciary accounts only in a financial institution that has agreed to provide an overdraft report to the office of lawyer regulation under par. (2). A lawyer or law firm shall notify the financial institution at the time a trust account or fiduciary account is established that the account is subject to this subsection.

(2) **Overdraft report.** In the event any properly payable instrument or electronic transaction is presented against or made from a lawyer trust or fiduciary account containing insufficient funds, whether or not the instrument or electronic transaction is honored, the financial institution shall report the overdraft to the office of lawyer regulation.

(3) **Content of report.** All reports made by a financial institution under this subsection shall be substantially in the following form:

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a. In the case of a dishonored instrument or electronic transaction, the report shall be identical to an overdraft notice customarily forwarded to the depositor or investor, accompanied by the dishonored instrument or electronic transaction, if a copy is normally provided to the depositor or investor.

b. In the case of instruments or electronic transactions that are presented against insufficient funds and are honored, the report shall identify the financial institution involved, the lawyer or law firm, the account, the date on which the instrument or electronic transaction is paid, and the amount of overdraft created by the payment.

(4) **Timing of report.** A report made under this subsection shall be made simultaneously with the overdraft notice given to the depositor or investor.

(5) **Confidentiality of report.** A report made by a financial institution under this subsection shall be subject to SCR 22.40, Confidentiality.

(6) **Withdrawal of report by financial institution.** The office of lawyer regulation shall hold each overdraft report for 10 business days to enable the financial institution to withdraw a report provided by inadvertence or mistake. The deposit of additional funds by the lawyer or law firm shall not constitute reason for withdrawing an overdraft report.

(7) **Lawyer compliance.** Every lawyer shall comply with the reporting and production requirements of this subsection, including filing of an overdraft notification agreement for each IOLTA account, each draft-type trust account and each draft-type fiduciary account that is not subject to an alternative protection under sub. (k)(10).

(8) **Service charges.** A financial institution may charge a lawyer or law firm for the reasonable costs of producing the reports and records required by this rule.

(9) **Immunity of financial institution.** This subsection does not create a claim against a financial institution or its officers, directors, employees, or agents for failure to provide a trust account overdraft report or for compliance with this subsection.

(i) **Trust account certificate and acknowledgements.**

(1) **Annual requirement.** A member of the state bar of Wisconsin shall file with the state bar of Wisconsin annually, with payment of the member's state bar dues or upon any other date approved by the supreme court, a certificate as to whether the member is engaged in the practice of law in Wisconsin. If the member is practicing law, the member shall certify the name, address, and telephone number of each financial institution in which the member maintains a trust account, a fiduciary account, or a safe deposit box. The state bar shall supply to each member, with the annual dues statement, or at any other time directed by the supreme court, a form on which this certification shall be made.

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(2) **Certification by law firm.** A law firm shall file one certificate of accounts on behalf of the lawyers in the firm who are required to file a certificate under par. (1).

(3) **Compliance with SCR 20:1.15.** Each state bar member shall acknowledge on the annual dues statement, or another form approved by the supreme court, that the member is aware of all of the following requirements of this rule:

a. That SCR 20:1.15 establishes fiduciary obligations for trust and fiduciary property that comes into the member's possession, including the duty to hold that property in trust separate from the member's own property, to safeguard that property, to maintain complete records of that property, to account fully for that property, and to promptly deliver that property to the owner.

b. That SCR 20:1.15 requires a member to maintain each IOLTA account in an IOLTA participating institution, to file an overdraft agreement with the office of lawyer regulation for each account that is subject to SCR 20:1.15(h) and (k)(10), and to annually report all trust and fiduciary accounts to the state bar of Wisconsin that are not subject to an exception under SCR 20:1.15(m).

(4) **Suspension for non-compliance.** A state bar member who fails to file the acknowledgements required by sub. (i)(3) or a trust account certificate, unless a certificate of accounts is filed by the law firm, is subject to the automatic suspension of the member's membership in the state bar in the same manner provided in SCR 10.03(6) for nonpayment of dues.

(j) **Multi-jurisdictional practice.** If a lawyer also licensed in another state is entrusted with funds or property in connection with a representation in the other state, the provisions of this rule shall not supersede the applicable rules of the other state.

(k) **Fiduciary property.**

(1) **Segregation of fiduciary property.** A lawyer shall hold in trust, separate from the lawyer's own funds or property, those funds or that property of clients or 3rd parties that are in the lawyer's possession when acting in a fiduciary capacity.

(2) **Accounting.** Upon final distribution of any fiduciary property or upon request by a client or a 3rd party having an ownership interest in the property, a lawyer shall promptly render a full written accounting regarding the property.

(3) **Fiduciary accounts.** A lawyer shall deposit all fiduciary funds specified in par. (1) in any of the following:

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a. A separate interest-bearing or dividend-paying fiduciary account on which interest or dividends shall be paid to the fiduciary entity or its beneficiary or beneficiaries, less any taxes and expenses of the fiduciary entity.

b. A pooled interest-bearing or dividend-paying fiduciary account with sub-accounting by the financial institution, the lawyer, or the law firm that will provide for computation of interest or dividends earned by each fiduciary entity's funds and the proportionate allocation of the interest or dividends to each of the fiduciary entities, less any taxes and expenses of the fiduciary entity.

c. An income-generating investment vehicle, on which income shall be paid to the fiduciary entity or its beneficiary or beneficiaries, less any taxes and expenses of the fiduciary entity.

d. An income-generating investment vehicle selected by the lawyer and approved by a court for guardianship funds if the lawyer serves as guardian for a ward under Ch. 54 and subject to Ch. 881, Wis. Stats.

e. An income-generating investment vehicle selected by the lawyer to protect and maximize the return on funds in a bankruptcy estate, which investment vehicle is approved by the bankruptcy trustee, by a bankruptcy court order, or otherwise consistent with 11 U.S.C. § 345.

f. A draft account or other account that does not bear interest or pay dividends when, in the lawyer's professional judgment, placement in the account is consistent with the needs and purposes of the fiduciary entity or its beneficiary or beneficiaries.

(4) **Location.** Each fiduciary account shall be maintained in a financial institution as provided by the written authorization of the client, the governing trust instrument, organizational by-laws, an order of a court, or, absent such direction, in a financial institution that, in the lawyer's professional judgment, will best serve the needs and purposes of the client or 3rd party for whom the lawyer serves as fiduciary. If a lawyer acts in good faith in making this determination, the lawyer is not subject to any charge of ethical impropriety or other breach of the Rules of Professional Conduct. When the fiduciary property is held in a draft account and the account is at a financial institution that is not located in Wisconsin or authorized by state or federal law to do business in Wisconsin, the lawyer shall comply with the requirements of sub. (k)(10)b., c., d., e., or f.

(5) **Cash transactions prohibited.** No withdrawal of cash shall be made from a fiduciary account or from a deposit to a fiduciary account. No check shall be made payable to "Cash." No withdrawal shall be made from a fiduciary account by automated teller or cash dispensing machine.

(6) **Availability of funds for disbursement.** A lawyer shall not disburse funds from a fiduciary account unless the deposit from which those funds will

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be disbursed has cleared and the funds are available for disbursement. The exception for real estate transactions in sub. (f)(3)b. shall apply to fiduciary accounts.

(7) **Record retention.** A lawyer shall maintain and preserve complete records of fiduciary account funds, all deposits and disbursements, and other fiduciary property and shall preserve those records for the six most recent years during which the lawyer served as a fiduciary and shall preserve at a minimum, a summary accounting of all fiduciary funds and property for prior years during which the lawyer served as a fiduciary. After the termination of the fiduciary relationship, the lawyer shall preserve the records required by this paragraph for at least six years. Electronic records shall be backed up by an appropriate storage device. The office of lawyer regulation shall publish guidelines for fiduciary account record keeping.

(8) **Record production.** All fiduciary account records have public aspects related to a lawyer's fitness to practice. Upon request of the office of lawyer regulation, or upon direction of the supreme court, the records shall be submitted to the office of lawyer regulation for its inspection, audit, use, and evidence under any conditions to protect the privilege of clients that the court may provide. The records, or an audit of the records, shall be produced at any disciplinary proceeding involving the lawyer, whenever material.

(9) **Burden of proof.** A lawyer's failure to promptly submit fiduciary account records to the office of lawyer regulation or promptly provide an accounting of fiduciary property to the office of lawyer regulation shall result in a presumption that the lawyer has failed to hold fiduciary property in trust, contrary to SCR 20:1.15(k)(1). This presumption may be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence.

(10) **Dishonored payment notification or alternative protection.** A lawyer who holds fiduciary property in a draft account from which funds are disbursed through a properly payable instrument or electronic transaction shall take any of the following actions:

a. Comply with the requirements of sub. (h) relating to dishonored payment notification (overdraft notices).

b. Have the account independently audited by a certified public accountant on at least an annual basis.

c. Hold the funds in a draft account, which requires the approval of a co-trustee, co-agent, co-guardian, or co-personal representative before funds may be disbursed from the account.

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d. Require and document the approval of two people from a group consisting of a lawyer or a member or employee of the lawyer's law firm before funds may be disbursed from the account.

e. In the case of an estate or trust, provide an accounting of the administration at least annually to all beneficiaries currently eligible to receive income distributions.

f. In the case of a guardianship proceeding in which annual financial accountings must be reviewed by a court, timely file those annual financial accountings with the court.

(11) Fiduciary account certificate and acknowledgements. Funds held by a lawyer in a fiduciary account are subject to the requirements of sub. (i).

(m) Exceptions to this section. This rule does not apply in any of the following instances in which a lawyer is acting in a fiduciary capacity:

(1) The lawyer is serving as a bankruptcy trustee, subject to the oversight and accounting requirements of the bankruptcy court or the office of U.S. Trustee.

(2) The lawyer is serving as an assignee or receiver under the provisions of Ch. 128, Wis. Stats.

(3) The property held by the lawyer when acting in a fiduciary capacity is property held for the benefit of an immediate family member of the lawyer.

(4) The lawyer is serving in a fiduciary capacity for a civic, fraternal, or non-profit organization that is not a client and has other officers or directors participating in the governance of the organization.

(5) The lawyer is acting in the course of the lawyer's employment by an employer not itself engaged in the practice of law, provided that the lawyer's employment is not ancillary to the lawyer's practice of law.

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A lawyer must hold the property of others with the care required of a professional fiduciary. All property that is the property of clients or 3rd parties must be kept separate from the lawyer's business and personal property and, if monies, in one or more trust or fiduciary accounts. Lawyers have duties to keep clear, distinct, and accurate records of all trust transactions, and to be able always to make a full accounting. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(a)(2) Electronic transaction.

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The types of electronic transactions are developing. For examples of current types of electronic transactions, see the record-keeping guidelines published by the office of lawyer regulation.

SCR 20:1.15(b)(1) Separate accounts.

With respect to probate matters, a lawyer's role may be to serve in a fiduciary capacity as the personal representative, to represent an estate's personal representative, or to act as both personal representative and attorney for an estate. SCR 20:1.15(k) applies to funds and property which a lawyer receives, holds, and distributes while serving in the fiduciary role of personal representative. Such funds and property may include, but are not limited to, bank and investment accounts, stocks, and bonds. SCRs 20:1.15(b)-(i) apply to funds and property which a lawyer receives, holds, and distributes in connection with the representation of a client/personal representative or an estate. Such funds include, but are not limited to, advanced legal fees and advanced costs. If a lawyer acts in good faith to safeguard funds and property received in connection with a probate matter, the lawyer is not subject to any charge of ethical impropriety for holding what may be determined to be fiduciary funds in a segregated trust account or in an IOLTA account for a limited period of time, or for holding what may be determined to be trust funds in a fiduciary account.

SCR 20:1.15(b)(5) Insurance and safekeeping requirements.

Pursuant to SCR 20:1.15(b)(5), trust accounts are required to be held in financial or IOLTA participating institutions that are insured by the FDIC, the NCUSIF, the SIPC or any other investment institution financial guaranty insurance. However, since federal law dictates the amount of insurance coverage available from the FDIC, the NCUSIF, and the SIPC, funds in excess of those limits are not insured. Federal law also limits the types of losses that are covered by SIPC insurance. Consequently, the purpose of the insurance and safety requirements is not to guarantee that all funds are adequately insured. Rather, it is to assure that trust funds are held in reputable financial or IOLTA participating institutions and that the funds are eligible for the insurance that is available. The exceptions to the SCR 20:1.15(b)(5) requirement relate to trust property other than funds and to IOLTA accounts that are subject to the safety requirements of SCR 20:1.15(d)(3)b. and c.

SCR 20:1.15(b)(6) Advanced legal fee and costs.

While the general rule is that a lawyer must hold trust property separate from the lawyer's own property, SCR 20:1.15(b)(6) allows very limited short-term temporary commingling when accepting an electronic payment for advanced fees or costs. Considering the expense of electronic payment processing providers, this allows a lawyer to maintain only one electronic payment processing provider service and to have it connected to just one bank account, e.g. the law firm's operating account. The lawyer may accept electronic payments for advanced fees or costs to that account without violating SCR 20:1.15(a), so long as any payments for advanced fees or costs are promptly transferred to the lawyer's trust account within two business days.

SCR 20:1.15(d)(3) Safekeeping requirements.

See comment to SCR 20:1.15(b)(5).

SCR 20:1.15(d)(4) Income requirements.

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Pursuant to SCR 20:1.15(d)(4), IOLTA accounts shall bear the highest non-promotional interest rate or dividend that is generally available to non-IOLTA customers at the same branch or main office location when the IOLTA account meets or exceeds the same eligibility qualifications, if any, including a minimum balance. Investment products, including repurchase agreements and shares of mutual funds, are neither deposits nor federally or FDIC-insured. An investment in a repurchase agreement or money market fund may involve investment risk including possible loss of the principal amount invested. The rule, however, provides safeguards to minimize any potential risk by limiting investment products to repurchase agreements and open-end money market funds that invest in United States government securities only.

SCR 20:1.15(e) Prompt notice and delivery of property.

Third parties, such as a client's creditors, may have just claims against funds or other property in a lawyer's custody. A lawyer may have a duty under applicable law, including SCR 20:1.15(e), to protect such 3rd-party claims against wrongful interference by the client, and accordingly, may refuse to surrender the property to the client. However, a lawyer should not unilaterally assume to arbitrate a dispute between the client and the 3rd party. If a lawyer holds property belonging to one person and a second person has a contractual or similar claim against that person but does not claim to own the property or have a security interest in it, the lawyer is free to deliver the property to the person to whom it belongs.

SCR 20:1.15(e)(4) Burden of proof.

A lawyer's failure to comply with the delivery requirements of SCR 20:1.15(e)(1) or the accounting requirements of SCR 20:1.15(e)(2) will result in a presumption that the lawyer has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(f)(1) Security of transactions.

SCR 20:1.15(f)(1) takes into account the modern banking and payments industry, allowing for electronic transfers to and from the trust account, so long as such transfers are authorized in advance by a lawyer in the law firm or a person under a lawyer's direct supervision. Should there be any chargeback, surcharge, or ACH reversal of an electronic payment to the trust account, the lawyer is responsible for replacing any and all such funds within three business days of actual notice of the chargeback, surcharge, or ACH reversal, and the lawyer must reimburse the account prior to accepting any additional electronic deposits.

Approval of disbursements

This rule requires the signature of a lawyer, or a person under the lawyer's direct supervision, on all checks issued from a firm trust account and also requires a lawyer's authorization for all electronic disbursements from a firm trust account. Written confirmation of authorization for electronic disbursements should be maintained as part of complete trust account records.

Costs associated with electronic payments

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Electronic payment systems, such as credit cards, routinely impose charges on vendors when a customer pays for goods or services. That charge may be deducted directly from the customer's payment. Vendors who accept credit cards routinely credit the customer with the full amount of the payment and absorb the charges. Before holding a client responsible for these charges, a lawyer should disclose this practice to the client in advance, and assure that the client understands and consents to the charges. This disclosure should be in writing if necessary to comply with SCR 20:1.5(b). In addition, the lawyer should ensure that holding the client responsible for transaction costs does not violate the terms of service of the payment system provider or other law.

SCR 20:1.15(f)(3)b. Exception: Real estate transactions.

SCR 20:1.15(f)(3)b. establishes an exception to the requirement that a lawyer only disburse funds that are available for disbursement, i.e., funds that have been credited to the account. This exception was created in recognition of the fact that real estate transactions in Wisconsin require a simultaneous exchange of funds. However, even under this exception, the funds from which a lawyer disburses the proceeds of the real estate transaction, i.e., the lender's check, draft, wire transfer, etc., must be deposited no later than the first business day following the date of the closing. In refinancing transactions, the lender's funds must be deposited as soon as possible, but no later than the first business day after the loan proceeds are distributed. Proceeds are generally distributed three days after the closing date.

SCR 20:1.15(g)(2) Record production.

The duty of the lawyer to produce client trust account records for inspection under SCR 20:1.15(g)(2) is a specific exception to the lawyer's responsibility to maintain the confidentiality of the client's information as required by SCR 20:1.6.

SCR 20:1.15(g)(3) Burden of proof.

A lawyer's failure to comply with the record production requirements of SCR 20:1.15(g)(2) or to provide an accounting for trust property will result in a presumption that the lawyer has failed to hold property in trust, contrary to SCR 20:1.15(b)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin, 39 Wis. 2d 437, 159 N.W.2d 660 (1968).

SCR 20:1.15(j) Multi-jurisdictional practice.

This rule does not prohibit a lawyer whose principal office is in another jurisdiction and who permissibly represents clients in Wisconsin matters from using a trust account for Wisconsin matters that is compliant with the rules of the other jurisdiction.

SCR 20:1.15(k)(1) Segregation of fiduciary property.

See comment to SCR 20:1.15(b)(1).

SCR 20:1.15(k)(9) Burden of proof.

A lawyer's failure to comply with the record production requirements of SCR 20:1.15(k)(8) or to provide an accounting for fiduciary property will result in a presumption that the lawyer has failed to hold fiduciary property in trust, contrary to SCR 20:1.15(k)(1). This presumption can be rebutted by the lawyer's production of records or an accounting that overcomes this presumption by clear, satisfactory, and convincing evidence. See, In re Trust Estate of Martin,

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39 Wis. 2d 437, 159 N.W.2d 660 (1968).

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1 **SCR 20:1.0 Terminology**

2 (ag) "Advanced fee" denotes an amount paid to a lawyer in contemplation
3 of future services, which will be earned at an agreed-upon basis, whether hourly,
4 flat, or another basis. Any amount paid to a lawyer in contemplation of future
5 services whether on an hourly, flat or other basis, is an advanced fee regardless
6 of whether that fee is characterized as an "advanced fee," "minimum fee,"
7 "nonrefundable fee," or any other characterization. Advanced fees are subject
8 to the requirements of SCR 20:1.5, including SCR 20:1.5(f) or (g) and SCR
9 20:1.5(h), ~~SCR 20:1.15(f)(3)b.4~~, and SCR 20:1.16(d).

10 (ar) "Belief" or "believes" denotes that the person involved actually
11 supposed the fact in question to be true. A person's belief may be inferred from
12 circumstances.

13 (b) "Consult" or "consultation" denotes communication of information
14 reasonably sufficient to permit the client to appreciate the significance of the
15 matter in question.

16 (c) "Confirmed in writing," when used in reference to the informed
17 consent of a person, denotes informed consent that is given in writing by the
18 person or a writing that a lawyer promptly transmits to the person confirming
19 an oral informed consent. See par. (f) for the definition of "informed consent."
20 If it is not feasible to obtain or transmit the writing at the time the person gives
21 informed consent, then the lawyer must obtain or transmit it within a reasonable
22 time thereafter.

23 (d) "Firm" or "law firm" denotes a lawyer or lawyers in a law partnership,
24 professional corporation, sole proprietorship or other association authorized to
25 practice law; or lawyers employed in a legal services organization or the legal
26 department of a corporation or other organization, including a government
27 entity.

28 (dm) "Flat fee" denotes a fixed amount paid to a lawyer for specific,
29 agreed-upon services, or for a fixed, agreed-upon stage in a representation,
30 regardless of the time required of the lawyer to perform the service or reach the
31 agreed-upon stage in the representation. A flat fee, sometimes referred to as
32 "unit billing," is not an advance against the lawyer's hourly rate and may not be
33 billed against at an hourly rate. Flat fees become the property of the lawyer
34 upon receipt and are subject to the requirements of SCR 20:1.5, including SCR
35 20:1.5(f) or (g) and SCR 20:1.5(h), ~~SCR 20:1.15(f)(3)b.4~~, and SCR 20:1.16(d).
36 Notwithstanding that lawyers have a property interest upon receipt of flat fees,
37 such fees can only be earned by the provision of legal services.

38 (e) "Fraud" or "fraudulent" denotes conduct that is fraudulent under the
39 substantive or procedural law of the applicable jurisdiction and has a purpose to

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40 deceive.

41 (er) A "government lawyer" includes a "prosecutor" as defined by SCR
42 20:1.0 (j) and any lawyer who represents a governmental actor or entity and is
43 employed by a governmental entity. It does not include an attorney employed
44 as a public defender or a private attorney contracted to represent a governmental
45 agency.

46 (f) "Informed consent" denotes the agreement by a person to a proposed
47 course of conduct after the lawyer has communicated adequate information and
48 explanation about the material risks of and reasonably available alternatives to
49 the proposed course of conduct.

50 (g) "Knowingly," "known," or "knows" denotes actual knowledge of the
51 fact in question. A person's knowledge may be inferred from circumstances.

52 (h) "Misrepresentation" denotes communication of an untruth, either
53 knowingly or with reckless disregard, whether by statement or omission, which
54 if accepted would lead another to believe a condition exists that does not actually
55 exist.

56 (i) "Partner" denotes a member of a partnership, a shareholder in a law
57 firm organized as a professional corporation, or a member of an association
58 authorized to practice law.

59 (j) A "prosecutor" includes a government attorney or special prosecutor
60 (i) in a criminal case, delinquency action, or proceeding that could result in a
61 deprivation of liberty or (ii) acting in connection with the protection of a child
62 or a termination of parental rights proceeding or (iii) acting as a municipal
63 prosecutor.

64 (k) "Reasonable" or "reasonably" when used in relation to conduct by a
65 lawyer denotes the conduct of a reasonably prudent and competent lawyer.

66 (l) "Reasonable belief" or "reasonably believes" when used in reference
67 to a lawyer denotes that the lawyer believes the matter in question and that the
68 circumstances are such that the belief is reasonable.

69 (m) "Reasonably should know" when used in reference to a lawyer
70 denotes that a lawyer of reasonable prudence and competence would ascertain
71 the matter in question.

72 (mm) "Retainer" denotes an amount paid specifically and solely to secure
73 the availability of a lawyer to perform services on behalf of a client, whether
74 designated a "retainer," "general retainer," "engagement retainer," "reservation
75 fee," "availability fee," or any other characterization. This amount does not
76 constitute payment for any specific legal services, whether past, present, or
77 future and may not be billed against for fees or costs at any point. A retainer
78 becomes the property of the lawyer upon receipt, but is subject to the
79 requirements of SCR 20:1.5 and SCR 20:1.16(d).

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80 (n) "Screened" denotes the isolation of a lawyer from any participation in
81 a matter through the timely imposition of procedures within a firm that are
82 reasonably adequate under the circumstances to protect information that the
83 isolated lawyer is obligated to protect under these rules or other law.

84 (o) "Substantial" when used in reference to degree or extent denotes a
85 material matter of clear and weighty importance.

86 (p) "Tribunal" denotes a court, an arbitrator in a binding arbitration
87 proceeding or a legislative body, administrative agency or other body acting in
88 an adjudicative capacity. A legislative body, administrative agency or other
89 body acts in an adjudicative capacity when a neutral official, after the
90 presentation of evidence or legal argument by a party or parties, will render a
91 binding legal judgment directly affecting a party's interests in a particular matter.

92 (q) "Writing" or "written" denotes a tangible or electronic record of a
93 communication or representation, including handwriting, typewriting, printing,
94 photostating, photography, audio or video recording, and electronic
95 communications. A "signed" writing includes an electronic sound, symbol or
96 process attached to or logically associated with a writing and executed or
97 adopted by a person with the intent to sign the writing.

98 99 WISCONSIN COMMITTEE COMMENT

100
101 The Committee has added definitions of "consult," "misrepresentation," and
102 "prosecutor" that are not part of the Model Rule. In the definition of "firm," the phrase
103 "including a government entity" is added to make the coverage more explicit. Because the
104 provisions of the rule are renumbered to preserve the alphabetical arrangement, caution should
105 be used when referring to the ABA Comment.

106 107 WISCONSIN COMMENT

108
109 The definition of flat fee specifies that flat fees "become the property of the lawyer
110 upon receipt." Notwithstanding, the lawyer must either deposit the advanced flat fee in trust
111 until earned, or comply with the alternative in SCR 20:1.5(g). In addition, as specified in the
112 definition, flat fees are subject to the requirements of all rules to which advanced fees are
113 subject.

114 115 ABA COMMENT

116 **Confirmed in Writing**

117
118 [1] If it is not feasible to obtain or transmit a written confirmation at the time the client gives
119 informed consent, then the lawyer must obtain or transmit it within a reasonable time
120 thereafter. If a lawyer has obtained a client's informed consent, the lawyer may act in reliance
121 on that consent so long as it is confirmed in writing within a reasonable time thereafter.

122 **Firm**

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123 [2] Whether two or more lawyers constitute a firm within paragraph (c) can
124 depend on the specific facts. For example, two practitioners who share office space and
125 occasionally consult or assist each other ordinarily would not be regarded as constituting a
126 firm. However, if they present themselves to the public in a way that suggests that they are a
127 firm or conduct themselves as a firm, they should be regarded as a firm for purposes of the
128 Rules. The terms of any formal agreement between associated lawyers are relevant in
129 determining whether they are a firm, as is the fact that they have mutual access to information
130 concerning the clients they serve. Furthermore, it is relevant in doubtful cases to consider the
131 underlying purpose of the Rule that is involved. A group of lawyers could be regarded as a
132 firm for purposes of the Rule that the same lawyer should not represent opposing parties in
133 litigation, while it might not be so regarded for purposes of the Rule that information acquired
134 by one lawyer is attributed to another.

135 [3] With respect to the law department of an organization, including the
136 government, there is ordinarily no question that the members of the department constitute a
137 firm within the meaning of the Rules of Professional Conduct. There can be uncertainty,
138 however, as to the identity of the client. For example, it may not be clear whether the law
139 department of a corporation represents a subsidiary or an affiliated corporation, as well as the
140 corporation by which the members of the department are directly employed. A similar
141 question can arise concerning an unincorporated association and its local affiliates.

142 [4] Similar questions can also arise with respect to lawyers in legal aid and legal
143 services organizations. Depending upon the structure of the organization, the entire
144 organization or different components of it may constitute a firm or firms for purposes of these
145 Rules.

146 **Fraud**

147 [5] When used in these Rules, the terms "fraud" or "fraudulent" refer to conduct
148 that is characterized as such under the substantive or procedural law of the applicable
149 jurisdiction and has a purpose to deceive. This does not include merely negligent
150 misrepresentation or negligent failure to apprise another of relevant information. For purposes
151 of these Rules, it is not necessary that anyone has suffered damages or relied on the
152 misrepresentation or failure to inform.

153 **Informed Consent**

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154 [6] Many of the Rules of Professional Conduct require the lawyer to obtain the
155 informed consent of a client or other person (e.g., a former client or, under certain
156 circumstances, a prospective client) before accepting or continuing representation or pursuing
157 a course of conduct. See, e.g., Rules 1.2(c), 1.6(a) and 1.7(b). The communication necessary
158 to obtain such consent will vary according to the Rule involved and the circumstances giving
159 rise to the need to obtain informed consent. The lawyer must make reasonable efforts to ensure
160 that the client or other person possesses information reasonably adequate to make an informed
161 decision. Ordinarily, this will require communication that includes a disclosure of the facts
162 and circumstances giving rise to the situation, any explanation reasonably necessary to inform
163 the client or other person of the material advantages and disadvantages of the proposed course
164 of conduct and a discussion of the client's or other person's options and alternatives. In some
165 circumstances it may be appropriate for a lawyer to advise a client or other person to seek the
166 advice of other counsel. A lawyer need not inform a client or other person of facts or
167 implications already known to the client or other person; nevertheless, a lawyer who does not
168 personally inform the client or other person assumes the risk that the client or other person is
169 inadequately informed and the consent is invalid. In determining whether the information and
170 explanation provided are reasonably adequate, relevant factors include whether the client or
171 other person is experienced in legal matters generally and in making decisions of the type
172 involved, and whether the client or other person is independently represented by other counsel
173 in giving the consent. Normally, such persons need less information and explanation than
174 others, and generally a client or other person who is independently represented by other
175 counsel in giving the consent should be assumed to have given informed consent.

176 [7] Obtaining informed consent will usually require an affirmative response by the
177 client or other person. In general, a lawyer may not assume consent from a client's or other
178 person's silence. Consent may be inferred, however, from the conduct of a client or other
179 person who has reasonably adequate information about the matter. A number of Rules require
180 that a person's consent be confirmed in writing. See Rules 1.7(b) and 1.9(a). For a definition
181 of "writing" and "confirmed in writing," see paragraphs (n) and (b). Other Rules require that
182 a client's consent be obtained in a writing signed by the client. See, e.g., Rules 1.8(a) and (g).
183 For a definition of "signed," see paragraph (n).

184 **Screened**

185 [8] This definition applies to situations where screening of a personally
186 disqualified lawyer is permitted to remove imputation of a conflict of interest under Rules
187 1.11, 1.12 or 1.18.

188

APPENDIX D

SCR 20:1.0 Terminology

(ag) "Advanced fee" denotes an amount paid to a lawyer in contemplation of future services, which will be earned at an agreed-upon basis, whether hourly, flat, or another basis. Any amount paid to a lawyer in contemplation of future services whether on an hourly, flat or other basis, is an advanced fee regardless of whether that fee is characterized as an "advanced fee," "minimum fee," "nonrefundable fee," or any other characterization. Advanced fees are subject to the requirements of SCR 20:1.5, including SCR 20:1.5(f) or (g) and SCR 20:1.5(h), and SCR 20:1.16(d).

(ar) "Belief" or "believes" denotes that the person involved actually supposed the fact in question to be true. A person's belief may be inferred from circumstances.

(b) "Consult" or "consultation" denotes communication of information reasonably sufficient to permit the client to appreciate the significance of the matter in question.

(c) "Confirmed in writing," when used in reference to the informed consent of a person, denotes informed consent that is given in writing by the person or a writing that a lawyer promptly transmits to the person confirming an oral informed consent. See par. (f) for the definition of "informed consent." If it is not feasible to obtain or transmit the writing at the time the person gives informed consent, then the lawyer must obtain or transmit it within a reasonable time thereafter.

(d) "Firm" or "law firm" denotes a lawyer or lawyers in a law partnership, professional corporation, sole proprietorship or other association authorized to practice law; or lawyers employed in a legal services organization or the legal department of a corporation or other organization, including a government entity.

(dm) "Flat fee" denotes a fixed amount paid to a lawyer for specific, agreed-upon services, or for a fixed, agreed-upon stage in a representation, regardless of the time required of the lawyer to perform the service or reach the agreed-upon stage in the representation. A flat fee, sometimes referred to as "unit billing," is not an advance against the lawyer's hourly rate and may not be billed against at an hourly rate. Flat fees become the property of the lawyer upon receipt and are subject to the requirements of SCR 20:1.5, including SCR 20:1.5(f) or (g) and SCR 20:1.5(h), and SCR 20:1.16(d). Notwithstanding that lawyers have a property interest upon receipt of flat fees, such fees can only be earned by the provision of legal services.

(e) "Fraud" or "fraudulent" denotes conduct that is fraudulent under the substantive or procedural law of the applicable jurisdiction and has a purpose to

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deceive.

(er) A "government lawyer" includes a "prosecutor" as defined by SCR 20:1.0 (j) and any lawyer who represents a governmental actor or entity and is employed by a governmental entity. It does not include an attorney employed as a public defender or a private attorney contracted to represent a governmental agency.

(f) "Informed consent" denotes the agreement by a person to a proposed course of conduct after the lawyer has communicated adequate information and explanation about the material risks of and reasonably available alternatives to the proposed course of conduct.

(g) "Knowingly," "known," or "knows" denotes actual knowledge of the fact in question. A person's knowledge may be inferred from circumstances.

(h) "Misrepresentation" denotes communication of an untruth, either knowingly or with reckless disregard, whether by statement or omission, which if accepted would lead another to believe a condition exists that does not actually exist.

(i) "Partner" denotes a member of a partnership, a shareholder in a law firm organized as a professional corporation, or a member of an association authorized to practice law.

(j) A "prosecutor" includes a government attorney or special prosecutor (i) in a criminal case, delinquency action, or proceeding that could result in a deprivation of liberty or (ii) acting in connection with the protection of a child or a termination of parental rights proceeding or (iii) acting as a municipal prosecutor.

(k) "Reasonable" or "reasonably" when used in relation to conduct by a lawyer denotes the conduct of a reasonably prudent and competent lawyer.

(l) "Reasonable belief" or "reasonably believes" when used in reference to a lawyer denotes that the lawyer believes the matter in question and that the circumstances are such that the belief is reasonable.

(m) "Reasonably should know" when used in reference to a lawyer denotes that a lawyer of reasonable prudence and competence would ascertain the matter in question.

(mm) "Retainer" denotes an amount paid specifically and solely to secure the availability of a lawyer to perform services on behalf of a client, whether designated a "retainer," "general retainer," "engagement retainer," "reservation fee," "availability fee," or any other characterization. This amount does not constitute payment for any specific legal services, whether past, present, or future and may not be billed against for fees or costs at any point. A retainer becomes the property of the lawyer upon receipt, but is subject to the requirements of SCR 20:1.5 and SCR 20:1.16(d).

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(n) "Screened" denotes the isolation of a lawyer from any participation in a matter through the timely imposition of procedures within a firm that are reasonably adequate under the circumstances to protect information that the isolated lawyer is obligated to protect under these rules or other law.

(o) "Substantial" when used in reference to degree or extent denotes a material matter of clear and weighty importance.

(p) "Tribunal" denotes a court, an arbitrator in a binding arbitration proceeding or a legislative body, administrative agency or other body acting in an adjudicative capacity. A legislative body, administrative agency or other body acts in an adjudicative capacity when a neutral official, after the presentation of evidence or legal argument by a party or parties, will render a binding legal judgment directly affecting a party's interests in a particular matter.

(q) "Writing" or "written" denotes a tangible or electronic record of a communication or representation, including handwriting, typewriting, printing, photostating, photography, audio or video recording, and electronic communications. A "signed" writing includes an electronic sound, symbol or process attached to or logically associated with a writing and executed or adopted by a person with the intent to sign the writing.

WISCONSIN COMMITTEE COMMENT

The Committee has added definitions of "consult," "misrepresentation," and "prosecutor" that are not part of the Model Rule. In the definition of "firm," the phrase "including a government entity" is added to make the coverage more explicit. Because the provisions of the rule are renumbered to preserve the alphabetical arrangement, caution should be used when referring to the ABA Comment.

WISCONSIN COMMENT

The definition of flat fee specifies that flat fees "become the property of the lawyer upon receipt." Notwithstanding, the lawyer must either deposit the advanced flat fee in trust until earned, or comply with the alternative in SCR 20:1.5(g). In addition, as specified in the definition, flat fees are subject to the requirements of all rules to which advanced fees are subject.

ABA COMMENT

Confirmed in Writing

[1] If it is not feasible to obtain or transmit a written confirmation at the time the client gives informed consent, then the lawyer must obtain or transmit it within a reasonable time thereafter. If a lawyer has obtained a client's informed consent, the lawyer may act in reliance on that consent so long as it is confirmed in writing within a reasonable time thereafter.

Firm

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[2] Whether two or more lawyers constitute a firm within paragraph (c) can depend on the specific facts. For example, two practitioners who share office space and occasionally consult or assist each other ordinarily would not be regarded as constituting a firm. However, if they present themselves to the public in a way that suggests that they are a firm or conduct themselves as a firm, they should be regarded as a firm for purposes of the Rules. The terms of any formal agreement between associated lawyers are relevant in determining whether they are a firm, as is the fact that they have mutual access to information concerning the clients they serve. Furthermore, it is relevant in doubtful cases to consider the underlying purpose of the Rule that is involved. A group of lawyers could be regarded as a firm for purposes of the Rule that the same lawyer should not represent opposing parties in litigation, while it might not be so regarded for purposes of the Rule that information acquired by one lawyer is attributed to another.

[3] With respect to the law department of an organization, including the government, there is ordinarily no question that the members of the department constitute a firm within the meaning of the Rules of Professional Conduct. There can be uncertainty, however, as to the identity of the client. For example, it may not be clear whether the law department of a corporation represents a subsidiary or an affiliated corporation, as well as the corporation by which the members of the department are directly employed. A similar question can arise concerning an unincorporated association and its local affiliates.

[4] Similar questions can also arise with respect to lawyers in legal aid and legal services organizations. Depending upon the structure of the organization, the entire organization or different components of it may constitute a firm or firms for purposes of these Rules.

Fraud

[5] When used in these Rules, the terms "fraud" or "fraudulent" refer to conduct that is characterized as such under the substantive or procedural law of the applicable jurisdiction and has a purpose to deceive. This does not include merely negligent misrepresentation or negligent failure to apprise another of relevant information. For purposes of these Rules, it is not necessary that anyone has suffered damages or relied on the misrepresentation or failure to inform.

Informed Consent

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[6] Many of the Rules of Professional Conduct require the lawyer to obtain the informed consent of a client or other person (e.g., a former client or, under certain circumstances, a prospective client) before accepting or continuing representation or pursuing a course of conduct. See, e.g., Rules 1.2(c), 1.6(a) and 1.7(b). The communication necessary to obtain such consent will vary according to the Rule involved and the circumstances giving rise to the need to obtain informed consent. The lawyer must make reasonable efforts to ensure that the client or other person possesses information reasonably adequate to make an informed decision. Ordinarily, this will require communication that includes a disclosure of the facts and circumstances giving rise to the situation, any explanation reasonably necessary to inform the client or other person of the material advantages and disadvantages of the proposed course of conduct and a discussion of the client's or other person's options and alternatives. In some circumstances it may be appropriate for a lawyer to advise a client or other person to seek the advice of other counsel. A lawyer need not inform a client or other person of facts or implications already known to the client or other person; nevertheless, a lawyer who does not personally inform the client or other person assumes the risk that the client or other person is inadequately informed and the consent is invalid. In determining whether the information and explanation provided are reasonably adequate, relevant factors include whether the client or other person is experienced in legal matters generally and in making decisions of the type involved, and whether the client or other person is independently represented by other counsel in giving the consent. Normally, such persons need less information and explanation than others, and generally a client or other person who is independently represented by other counsel in giving the consent should be assumed to have given informed consent.

[7] Obtaining informed consent will usually require an affirmative response by the client or other person. In general, a lawyer may not assume consent from a client's or other person's silence. Consent may be inferred, however, from the conduct of a client or other person who has reasonably adequate information about the matter. A number of Rules require that a person's consent be confirmed in writing. See Rules 1.7(b) and 1.9(a). For a definition of "writing" and "confirmed in writing," see paragraphs (n) and (b). Other Rules require that a client's consent be obtained in a writing signed by the client. See, e.g., Rules 1.8(a) and (g). For a definition of "signed," see paragraph (n).

Screened

[8] This definition applies to situations where screening of a personally disqualified lawyer is permitted to remove imputation of a conflict of interest under Rules 1.11, 1.12 or 1.18.