TITLE: ACCOUNTING RULES AMENDMENTS **Appendix D**

RESOLUTION:

BE IT RESOLVED to amend the Law Society Rules,* effective January 1, 2027, *as follows:

1. In Rule 1,

By adding the following definitions to appear in alphabetical order with existing definitions;

""anti money-laundering course" means a course of study designated as such and administered by the Society or its agents and includes any assignement, examination or remdial work taken during or after the course of study;**"**

""general account" means an account required by Rule 3-58**;"**

""money" includes cash, currency, securities, negotiable instruments or other financial instruments, in any form, that indicate a person's title or right to or interest in them, and electronic transfer of deposits at financial institutions**;"**

""pooled trust account" means a pooled trust account permitted by Rule 3-65;**"**

""separate trust account" means a separate trust account permitted by Rule 3-66;**"**

""trust account " means a pooled trust account or a separate trust account used by a lawyer or law firm for the handling of client funds in conjunction with the provision of legal services;**"**

***By rescinding the definition of* "qualified CPA"**

***In the definition of* "funds", *by adding* "**money,**" *between* "**drafts,**" *and* "**money orders**";**

***In the definition of* "general funds", *by deleting in subrule (b) the word* "**property**" *and replacing it with the word* "**funds**";**

***3. In Rule 2-3, by deleting the word* "**Any**" *and replacing it with* "**Subject to Rule 3-87.5 (3) *[Disposition of files, trust money funds and other documents and valuables]*, any**";**

***4. In Rule 2-4 (1), by deleting the word* "**A**" *and replacing it with* "**Subject to Rule 3-87.5 (3) *[Disposition of files, trust money funds and other documents and valuables]*, a**" ;**

5. By rescinding Rule 12.2 and replacing it as follows:

"Registration

2-12.2 (1) A law firm must, within 30 days of commencing or engaging in the practice of law, register by delivering to the Executive Director a registration form in the prescribed form.

(2) The Executive Director may at any time require a law firm to immediately provide to the Executive Director a current list of all lawyers who are partners, shareholders or other persons who have an ownership interest in the law firm.

(3) A law firm must inform the Executive Director immediately of a change of any information included in the registration form.

(4) Subject to subrule (5), where a law firm has confirmed to the Executive Director that it has ceased to practise law under Rule 3-85.7 (2) *[Disposition of files, trust funds and other documents and valuables]*, the Executive Director must terminate the registration of the law firm.

(5) The Executive Director must not terminate the registration of a law firm unless satisfied that the law firm has completed the requirements set out in Rule 3-85.7 (2) (a) – (c).**"**

5. In Rule 2-110,

By rescinding subrule (1) and replacing it as follows:

"(1) A law firm must pay to the Society the trust administration fee specified in Schedule 1 for each client matter undertaken by the law firm or by a lawyer practising through the law firm in connection with which the law firm or lawyer receives in trust funds in an aggregate amount greater than $10,000.**"**

In subrules (2) and (3), by replacing the word "lawyer***" where it appears in each subrule, and replacing it with "***law firms***";***

6. By adding Rule 3-28.01 as follows:

"Anti-money laundering education

3-28.01 (1) A practising lawyer must, within 6 months of the first time the lawyer becomes entitled to practise law,

(a) successfully complete the anti money-laundering course and

(b) certify to the Executive Director in the prescribed form that the lawyer has completed the courses prescribed under this subrule.

(2) A practising lawyer who is in breach of subrule (1) has failed to meet a minimum standard of practice, and the Executive Director may refer the matter to the Discipline Committee or the chair of the Discipline Committee.**"**

7. ***In Rule 3-53,***

By adding the words "unless the context indicates otherwise***" following the words "***In this division***";***

By adding the following definitions to appear in alphabetical order with existing definitions:

""accounting record" means all records required in this division, and includes all related supporting documents as well as billing records required by Part 8;

"cancelled cheque" means a cheque that has been cashed, otherwise negotiated, or is no longer valid**;**

"owner" means a lawyer who is a sole proprietor, partner, shareholder or other member of a law firm who has an ownership interest in the law firm and includes a former owner;

"supporting documents" means all documents not referred to in these Rules that are required to support accounting records, including

(a) validated deposit receipts,

(b) periodic bank statements,

(c) cancelled cheques,

(d) bank vouchers and similar documents,

(e) vendor invoices, and

(f) bills for fees, expenses and disbursements.**"**

By rescinding the definition of "cash receipt book***"***

In the definition of "compliance audit", by replacing the reference to "Rule 3-85.3***" with "***Rule 3-87.1 *[Compliance audit]****"***

8. ***By rescinding Rules 3-54 to 3-87 in their entirety and replacing them with the following:***

"**Law Firms**

3-54 (1) A law firm must designate an owner to

(a) oversee its accounting obligations under these Rules,

(b) file the firm's annual accounting report, and

(c) produce the firm's books and records if required for the purpose of a compliance audit.

(2) A sole practitioner is deemed to be the owner designated under subrule (1) for the purposes of this Part.

(3) Where the owner designated under subrule (1) fails to comply with any requirement under these Rules, all owners of the firm are deemed responsible for the failure if it is not corrected promptly to the satisfaction of the Executive Director after the designated representative of the law firm required by Rule 2-12.5 *[Designated representative]* has been notified.

Responsibility for accounting

3-55 A law firm must

(a) account to a client in writing for all funds and valuables, whether held as trust funds or as fiduciary funds, received on a client's behalf;

(b) maintain and keep current a list of all trust funds, fiduciary funds, and valuables held in trust for which the law firm is responsible;

(c) maintain sufficient funds on deposit in each pooled or separate trust account to meet the law firm's obligations with respect to the funds held in trust for clients; and

(d) immediately notify the Executive Director in writing if the law firm's ability to access the funds in any account maintained by the law firm in the course of the law firm's practice of law is removed or otherwise restricted.

Individual responsibility

3-56 Despite Rules 3-54 *[Law firms]*and 3-55 *[Repsonisbility for accounting],* a lawyer remains individually and personally responsible to ensure that the duties and responsibilities under this division are carried out with regard to accounting matters relating to the lawyer's delivery of legal services whether or not the lawyer or law firm has delegated, where permitted, any of the duties or responsibilities set out under this division.

Recording and maintaining accounting records

3-57 (1) A law firm's accounting records must be kept current at all times in accordance with these rules.

(2) A law firm must keep all accounting records for as long as the records apply to money held as trust funds or to valuables held in trust for a client and for at least 10 years from the final accounting transaction or disposition of valuables

(3) A law firm must keep all accounting records not referred to in subrule (2) for at least 10 years from the date the records were completed.

(4) A law firm must record all funds received and disbursed in connection with the law firm's practice of law by maintaining the accounting records required under this division.

(5) A law firm must record all transactions in its accounting records in chronological order and in an easily traceable form.

(6) A law firm must record each trust or general account transaction promptly, and in any event not more than

(a) 7 days after a transaction in any trust account, or

(b) 30 days after a transaction in the general account.

(7) As an exception to subrule (6) (a), a law firm must record the receipt of interest on a separate trust account within 30 days of payment or of notice that funds have been credited to the account.

(8) A law firm must maintain accounting records in

(a) legibly handwritten form, in ink or other duplicated or permanent form,

(b) printed form, or

(c) an electronic form maintained in a manner that will allow compliance with Rule 10-3 (2) *[Records]*

General Account

Requirement for a general account

3-58 (1) A law firm must maintain a general account relating to the business and operation of the law firm in the course of its provision of legal services.

(2) The general account required under subrule (1) must be

(a) held at a financial institution in the name of the law firm through which the practice of law is carried on, and

(b) designated as a "general account" on the records of the financial institution and of the law firm.

Records for general account

3-59 (1) A law firm must maintain a bank journal of all receipts and withdrawals relating to the general account that includes:

(a) the amount of funds received or withdrawn;

(b) the dates that funds were received or authorized for withdrawal;

(c) the name of the person from whom the funds were received or to whom they were paid;

(d) the payment method of funds received or withdrawn, whether by cash, cheque, bank draft or electronic funds transfer;

(e) the cash receipt number, cheque number, bank draft number, or electronic funds transfer number relating to the funds;

(f) the client matter number if the receipt or withdrawal of the funds relates to a client;

(g) the running balance after each transaction.

(2) A law firm must maintain an accounts receivable ledger relating to the general account for each client matter that includes:

(a) all invoices issued to a client;

(b) all transfers from the trust account to the general account;

(c) all other receipts of funds from or on behalf of a client; and

(d) the running balance after each transaction.

(3) A law firm must maintain all accounting records relating to the reconciliation of the general account required under Rule 3-60 *[Reconciliation of general account]*.

Reconciliation of general account

3-60 (1) A law firm must prepare a monthly reconciliation of each general account comparing:

(a) the amount of funds recorded in the account according to the law firm's records as shown in the bank journal;

(b) the amount of funds recorded in the account according to the financial institution's records as shown in the bank statement;

(2) When preparing the reconciliation required by subrule (1), a law firm must identify, explain and eliminate:

(a) any outstanding deposits,

(b) any accounts receivable balances indicating that funds are owed to clients,

(c) any trust funds held in error in the general account, and

(d) any other differences or errors.

(3) A law firm that identifies any trust funds held in error in the general account must immediately transfer the funds into a trust account.

(4) A law firm must ensure each reconciliation of each general account

(a) is prepared no later than 30 days after each month end,

(b) is reviewed and signed by the owner designated by the law firm under Rule 3-54 (1) *[Law firms]*, and

(c) includes the preparation and review dates.

Trust Accounts

Requirement for trust account

3-61 (1) A law firm that handles trust funds in the course of engaging in the practice of law must open one or more trust accounts.

(2) A trust account must be held in the name of a law firm.

(3) Trust accounts may be either pooled trust accounts or separate trust accounts.

(4) A trust account must be designated as a "trust account" on the records of the financial institution and of the law firm.

Trust account only for legal services

3-62 (1) Except as permitted by the Act, subrule (2) (a) or (b) or otherwise required by law, a law firm must not permit funds to be deposited to or withdrawn from a trust account unless the funds are directly related to legal services provided by the law firm.

(2) Despite subrule (1), a law firm may permit the following funds to be deposited to a trust account, provided they arise from activity associated with a lawyer who otherwise practises law through the law firm:

(a) fiduciary funds, or

(b) funds that are received as a retainer for services as a mediator, arbitrator or parenting co-ordinator

(3) Despite subrule (1), a law firm may deposit funds to a trust account to comply with Rule 3-71 *[Trust shortage]*.

(4) A law firm must take reasonable steps to obtain appropriate instructions and pay out funds held in a trust account as soon as practicable on completion of the services or, in the case of fiduciary funds, the completion of the purposes to which the funds relate.

(5) Funds deposited to a trust account by a law firm under subrule (2) are subject to all rules pertaining to trust funds as if the funds were received from a client in relation to legal services provided by the law firm.

Trust account to be held in a designated savings institution

3-63 (1) A trust account must be held at a British Columbia branch of a financial institution that is a designated savings institution.

(2) A financial institution is a designated savings institution within the meaning of s. 33 (3) (b) *[Trust accounts]* and subrule (1) if it has an office in British Columbia accepting demand deposits and is insured by

(a) the Canada Deposit Insurance Corporation, or

(b) the Credit Union Deposit Insurance Corporation of British Columbia.

(3) Despite subrule (2), the Executive Committee may resolve that a financial institution is not or ceases to be a designated savings institution within the meaning of s. 33 (3) (b) *[Trust accounts]*.

(4) A law firm that holds trust funds in a financial institution that is not or ceases to be a designated savings institution must immediately transfer those funds into a designated savings institution.

Canada Deposit Insurance Corporation

3-64 (1) A law firm that holds pooled trust funds in a designated savings institution insured by the Canada Deposit Insurance Corporation must meet the conditions required under the Schedule to the *Canada Deposit Insurance Corporation Act* to ensure that each client's funds, rather than the account itself, are insured up to the limit of Canada Deposit Insurance Corporation insurance.

(2) When providing information under subrule (1), the law firm must not disclose information that is subject to solicitor-client privilege or confidentiality without the consent of the client.

Pooled trust account

3-65 (1) A law firm that receives trust funds for a client in the course of providing legal services must maintain a pooled trust account.

(2) The following provisions apply to a pooled trust account:

(a) the account must be readily available for the law firm to draw on;

(b) the law firm must, on a regular basis **,** receive

(i) cancelled cheques, and

(ii) bank statements for the account covering all transactions on the account;

(c) the terms of the agreement with the designated savings institution at which the account is held must include that the institution agrees to pay interest to the Foundation at least quarterly;

(3) A law firm must notify the designated savings institution that the account is a trust account containing the funds of more than one client.

(4) A law firm may maintain in a pooled trust account no more that $600 of the law firm's own funds.

Separate Trust Account

3-66 (1) A law firm may open a separate trust account for the deposit of client trust funds where the client has instructed the law firm, in writing, to do so.

(2) A separate trust account must be identified by a number that identifies the client on inspection of the lawyer's books and accounts.

Signatories to trust account

3-67 (1) The Executive Director may prescribe education requirements, including continuing education requirements, for the purpose of this rule.

(2) The Executive Director must designate a date for the implementation of any education requirements prescribed in subrule (1).

(3) The Executive Director must provide 6 months notice prior to the date designated in subrule (2).

(4) After the date designated by the Executive Director in subrule (2), a lawyer is not permitted to be a signatory to a trust account or to authorize the withdrawal of funds from a trust account by electronic transfer unless the lawyer completes, within the time prescribed by and to the satisfaction of the Executive Director, education requirements prescribed under subrule (1).

(5) In order to continue to be permitted to be a signatory to a trust account or to authorize the withdrawal of funds from a trust account by electronic transfer, a lawyer must, as required by the Executive Director, complete continuing education requirements if any are prescribed under subrule (1).

(6) A lawyer who is in breach of this rule has failed to meet a minimum standard of financial responsibility, and the Executive Director may refer the matter to the Discipline Committee or the chair of the Discipline Committee.

Where lawyer practises law in other jurisdictions

3-68 A practising lawyer who practises law in a jurisdiction other than British Columbia must not deposit trust funds relating to the practice of law in British Columbia into a pooled trust account in the other jurisdiction.

Trust account records

3-69 (1) A law firm that has opened one or more trust accounts must maintain the following accounting records:

(a) a bank journal of all receipts and withdrawals for each trust account that includes:

(i) the amount of funds received or withdrawn

(ii) the dates that funds were received or authorized for withdrawal;

(iii) the name of the person from whom the funds were received or to whom they were paid;

(iv) the payment method of funds received or withdrawn, whether by cash, cheque, bank draft or electronic funds transfer

(v) the cash receipt number, cheque number, bank draft number or electronic funds transfer number relating to the funds;

(vi) the client matter number regarding the receipt or withdrawal of the funds;

(vii) the running balance after each transaction;

(b) a trust ledger for each client matter that includes:

(i) the client name and file number;

(ii) all funds received or withdrawn, including all information itemized under subrule (1) (a);

(iii) the name or identifier of each trust account in which trust funds are held;

(iv) the running balance after each transaction;

(c) a transfer journal showing each transfer of funds between client trust ledgers that includes

(i) the name and file number of each of the source file and destination file, and

(ii) an explanation of the purpose for which each transfer was made, and

(d) the monthly trust reconciliations required by Rule 3-70 *[Reconciliation of trust account]*.

(2) A law firm must maintain a list of valuables received and delivered in trust for each client, including the undelivered portion of valuables that the law firm continues to hold.

Reconciliation of trust account

3-70 (1) A law firm must prepare for each trust account a monthly reconciliation that compares

(a) the amount of funds recorded in the account, according to the law firm's records as shown in the bank journal,

(b) the amount of funds recorded in the account, according to the designated savings institution's records as shown in the bank statement, and

(c) the amount of funds recorded in the law firm's records, as shown in the client trust ledgers.

(2) The trust reconciliation must be supported by

(a) a bank reconciliation for each pooled trust account that reconciles the bank journal with the bank statement,

(b) a client trust liability listing report that lists the balances held in the trust accounts of each client matter at month end and the last trust activity date pertaining to the client matter,

(c) listings of outstanding deposits and outstanding withdrawals,

(d) an explanation of any unreconciled differences together with the reasons for the difference and an explanation of the steps taken to correct any differences once identified, and

(e) a list of balances for each separate trust account, identifying the client for whom each separate trust account is held.

(3) A law firm must, when reconciling a trust account, identify and take all appropriate steps to

(a) eliminate all overdrawn balances on the client trust liability list,

(b) eliminate all outstanding deposits and trust shortages,

(c) eliminate any other differences or banking errors

(d) reverse and reissue all stale-dated cheques, and

(e) ensure that trust funds have been paid out of trust to the appropriate persons on the completion of the legal services performed by the law firm.

(4) A law firm must not permit any errors, shortages or outstanding deposits identified through the reconciliation of any trust account to be carried over to the following month's reconciliation of the account.

(5) A law firm must ensure each reconciliation of each trust account

(a) is prepared no later than 30 days after month end,

(b) is reviewed and signed by the owner designated by the law firm under Rule 3-54 (1) *[Law firms]*, and

(c) incudes the preparation and review dates.

Trust shortage

3-71 (1) A trust shortage occurs when a law firm fails to maintain sufficient funds in a trust account to meet the law firm's obligations with respect to trust funds held from or on behalf of each and every client and client matter.

(2) Without limiting subrule (1), a trust shortage includes, but is not limited to, the following circumstances:

(a) trust funds have been deposited into an account that is not a trust account;

(b) a client trust ledger indicates that more funds have been withdrawn than deposited into trust in relation to the client or client matter;

(c) the client trust liability listing indicates that more funds have been withdrawn than deposited into trust;

(d) the accounts receivable client ledger indicates that the law firm has received more funds than have been billed on a client matter;

(e) a trust deposit remains pending or outstanding at the time the trust funds are withdrawn from trust;

(f) service charges, merchant fees, or bank errors cause funds to be withdrawn from trust in error.

(3) A law firm that discovers a trust shortage must immediately pay enough funds into the trust account to eliminate the shortage.

(4) A law firm must immediately make a written report to the Executive Director including all relevant facts and circumstances if

(a) the law firm discovers a trust shortage greater than $5,000,

(b) a cheque from the law firm's trust account is returned by a financial institution, or not negotiated due to non-sufficient funds in the trust account,

(c) the law firm's access to or use of a trust account has been suspended or restricted by a designated savings institution, or

(d) the law firm is or will be unable pay trust funds when due.

Deposits to Trust Accounts

Deposit of trust funds

3-72 As soon as it is practicable to do so, a law firm must

(a) deposit all trust funds that it receives into a trust account, and

(b) where funds are received that belong partly to the client and partly to the law firm, deposit the funds to a trust account and immediately withdraw the law firm's funds from the trust account.

Deposits into trust account by electronic transfer

3-73 (1) A law firm must not accept funds into a trust account by means of electronic transfer unless

(a) the law firm obtains a confirmation in writing providing details of the transfer from the financial institution or the remitter of the funds within 2 banking days of the deposit, and

(b) the deposit confirmation contains sufficient documentation to enable the lawyer to meet the record-keeping requirements under this division.

(2) Where a law firm receives funds into a trust account by means of electronic transfer contrary to subrule (1), the law firm must immediately contact the designated savings institution at which the account is held and advise it to reject the transfer.

Withdrawals from trust accounts

Withdrawal from trust account

3-74 (1) A law firm is only permitted to withdraw funds from a trust account if the withdrawal is authorized by a practising lawyer who has completed the courses prescribed by the Executive Director under Rule 3-67 *[Signatories to trust account]*.

(2) A law firm must not make a payment from a trust account unless

(a) trust accounting records are current, and

(b) there are sufficient funds held to the credit of the client on whose behalf the funds are to be paid.

(3) A law firm must not withdraw or authorize a withdrawal of any trust funds unless the funds are

(a) properly required for the payment to or on behalf of a client or to satsify a court order,

(b) funds of a lawyer permitted to be in the account under Rule 3-65 (4) *[Pooled trust account]*,

(c) in the trust account as the result of

(i) a mistake, or

(ii) a deposit contrary to Rule 3-73 (1) *[Deposits into by electronic transfer]*,

(d) paid to a law firm to pay outstanding fees, disbursements or expenses that have been billed provided that the requirements of Rule 8-0.5 *[Payment of fees from trust]* have been met**,**

(e) transferred between trust accounts,

(f) due to the Foundation under section 62 (2) (b) *[Interest on trust accounts]*, or

(g) unclaimed trust funds remitted to the Society under Division 8 *[Unclaimed trust money]*

(4) A law firm must not make or authorize the withdrawal of funds from a trust account, except

(a) by cheque as permitted by subrule (5),

(b) by electronic transfer as permitted by Rule 3-76 *[Withdrawal from trust account by electronic transfer],*

(c) by bank draft as permitted by Rule 3-75 *[Withdrawal from trust account by bank draft]*,

(d) by instruction to a designated savings institution to pay funds to the Foundation under subrule (3) (f), or

(e) in cash if required under Rule 3-80 (4) or (5) *[Cash transactions]*.

(5) Every trust cheque authorizing the withdrawal of funds from a trust account must

(a) be marked “Trust,”

(b) not be payable to “Cash” or “Bearer,”

(c) be signed only by a practising lawyer who has completed the courses prescribed by the Executive Director under Rule 3-67 *[Signatories to trust*

account] who affixes the lawyer's own signature to the cheque, regardless of the method used to affix the signature, and

(d) prior to being signed, include the payee, date of cheque and amount of the cheque.

(6) A law firm who makes or authorizes the withdrawal of funds from a separate trust account in respect of which cancelled cheques and bank statements are not received from the savings institution monthly and kept in the law firm's accounting records must first transfer the funds into the law firm's pooled trust account.

Withdrawal from trust account by bank draft

3-75 (1) In this rule, **"bank draft requisition"** means a requisition in the prescribed form for the withdrawal of funds from trust by bank draft in the prescribed form.

(2) A law firm may only withdraw funds from a trust account by bank draft where the recipient of the funds consents in writing in advance to receive the funds in the form of a bank draft.

(3) Where trust funds have been withdrawn from a trust account by bank draft, the law firm must

(a) use and retain the bank draft requisition to record the transaction,

(b) retain the information obtained in subrule (2),

(c) retain a copy of the bank draft, and

(d) obtain and retain a written receipt from the recipient of the funds.

Withdrawal from trust account by electronic transfer

3-76 (1) In this rule, **"electronic transfer requisition"** means a requisition in the prescribed form for the electronic transfer of trust funds .

(2) A law firm may withdraw funds from a trust account by electronic transfer, provided that the electronic funds transfer system used by the law firm

(a) requires a dual authentication of authorization codes in order for the transfer to be completed, and

(b) is a commercial banking platform and does not permit transfers by email or text messages.

(3) Despite subrule (2) (a), a lawyer who practises law as the only lawyer in a law firm and who has no other staff may transfer funds electronically if the lawyer personally uses

(a) one password or authorization code to enter data into the electronic funds transfer system describing the details of the transfer, and

(b) a different password or authorization code into the electronic funds transfer system authorizing the designated savings institution to carry out the transfers.

(4) The electronic funds transfer system used by the law firm must produce, no later than the close of the banking day immediately after the day on which the electronic transfer of funds is authorized, a confirmation in writing from the designated savings institution confirming that the data describing the details of the transfer and authorizing the designated savings institution to carry out the transfer were received.

(5) The confirmation required in subrule (4) must contain all of the following:

(a) the name of, or an identifier for, the person authorizing the transfer;

(b) the amount of the transfer;

(c) the trust account name, trust account number and branch name and address of the financial institution from which the funds are transferred;

(d) the name of the account, account number and address of the financial institution to which the funds are transferred;

(e) the time and date that the data describing the details of the transfer and authorizing the financial institution to carry out the transfer are received by the financial institution;

(f) the time and date that the confirmation in writing from the financial institution was sent to the lawyer authorizing the transfer.

(6) Before any data describing the details of the transfer or authorizing the financial institution to carry out the transfer is entered into the electronic funds transfer system, the lawyer must complete and sign an electronic transfer requisition authorizing the transfer.

(7) The data entered into the electronic funds transfer system describing the details of the transfer and authorizing the financial institution to carry out the transfer must be as specified in the electronic transfer requisition.

(8) The law firm must

(a) retain in the law firm's records a copy of

(i) the electronic transfer requisition, and

(ii) the confirmation required in subrule (4),

(b) compare the requsition and confirmation to ensure that the data and other information recorded on each document is the same, and

(c) indicate on the printed copy of the confirmation

(i) the name of the client,

(ii) the subject matter of the file, and

(iii) any file number in respect of which the funds were drawn from the trust account.

Land title transfers

3-77 Despite Rule 3-76 *[Withdrawal from trust account by electronic transfer]*, a law firm may withdraw funds from a trust account by electronic transfer using the electronic filing system of the Land Title and Survey Authority of British Columbia for the purpose of the payment of property transfer tax on behalf of a client, provided that the law firm

(a) retains in the law firm's records a copy of

(i) all electronic payment authorization forms submitted to the electronic filing system,

(ii) the property transfer tax return, and

(iii) the transaction receipt provided by the electronic filing system,

(b) digitally signs the property transfer tax return in accordance with the requirements of the electronic filing system, and

(c) verifies that the funds were drawn from the trust account as specified in the property transfer tax return.

Passwords and authorization codes

3-78 (1) A lawyer must not:

(a) disclose to any other person, including another lawyer or employee of the lawyer's law firm, the lawyer's password or authentication code associated with the electronic transfer system; or

(b) permit any other person, including another lawyer or employee of the lawyer's law firm, to use the lawyer's password or authorization code to gain access to the electronic funds transfer system.

(2) Except with regard to s. 168.7 (2) (b) of the *Land Title Act*, where exceptional circumstances exist that would require an accommodation for a lawyer who would otherwise be unable to comply with subrule (1), the Executive Director may exempt the lawyer from subrule (1), with any conditions the Executive Director considers necessary to protect the public interest.

Fiduciary Funds

Fiduciary funds

3-79 (1) In addition to any other obligations required by law or equity, this rule applies to lawyers who are responsible for fiduciary funds.

(2) A lawyer who holds fiduciary funds in a trust account must comply with all rules in this division with respect to the fiduciary funds for which the lawyer is responsible.

(3) A lawyer who holds fiduciary funds in an account other than a trust account must maintain and produce on demand the following records for any period for which the lawyer is responsible for the fiduciary funds:

(a) a current list of the fiduciary funds held;

(b) all invoices, bank statements, cancelled cheques or images and other records necessary to create a full accounting of the receipt or disbursement of the fiduciary funds;

(c) all records required by any legislation governing the lawyer's responsibilities as a fiduciary relating to the fiduciary capacity in which the lawyer is acting.

(4) The records required under this rule form part of the books, records and accounts of a lawyer, and the lawyer must produce them and permit them to be copied as required under these rules.

Dealing with Cash

Cash transactions

3-80 (1) A law firm or a lawyer must not receive or accept cash in an aggregate amount greater than $7,500 in respect of any one client matter.

(2) Despite subrule (1), a law firm may receive or accept cash in connection with the practice of law by the law firm

(a) from a peace officer, law enforcement agency or other agent of the Crown acting in an official capacity,

(b) pursuant to the order of a court or other tribunal for the release to the law firm or the law firm's client of cash that has been seized by a peace officer, law enforcement agency or other agent of the Crown acting in an official capacity,

(c) to pay a fine, penalty or bail,

(d) from a financial institution or public body, or

(e) in respect of a client matter for professional fees, disbursements or expenses or for anticipated professional fees, disbursements or expenses.

(3) Any cash received or accepted by a law firm under subrule (2) (e) must be no greater that the amount commensurate for reasonably anticipated fees, disbursements or expenses for the matter on which the lawyer is retained.

(4) A law firm that receives or accepts cash in an aggregate amount greater than $7,500 under subrule (2) (e) must make any refund out of such funds in cash.

(5) A law firm that receives cash, unless permitted under this rule to accept it, must

(a) make no use of the cash,

(b) return the cash, or if that is not possible, the same amount in cash, to the payer immediately,

(c) make a written report of the details of the transaction to the Executive Director within 7 days of receipt of the cash, and

(d) comply with all other rules pertaining to the receipt of trust funds.

(6) For the purposes of this rule, a law firm that receives or accepts cash in foreign currency is deemed to have received or accepted the cash converted into Canadian dollars based on

(a) the official conversion rate of the Bank of Canada for that currency as published in the Bank of Canada's Daily Noon Rates in effect at the relevant time, or

(b) if no official conversion rate is published as set out in paragraph (a), the conversion rate of the Bank of Canada in effect on the most recent business day.

Cash transaction records

3-81 (1) A law firm that receives any amount of cash for a client matter must issue, and retain a copy of, a receipt to the person from whom the cash was received.

(2) Each receipt issued by a law firm under this rule must

(a) be signed by

(i) the individual designated by the law firm under Rule 3- 54 *[Law firms]* or by another individual authorized by the law firm,

(ii) the person from whom the cash is received, and

(b) identify each of the following:

(i) the date on which cash is received;

(ii) the person from whom cash is received;

(iii) the amount of cash received;

(iv) the name of the client for whom cash is received;

(v) the client matter in respect of which cash is received, and

(vi) all dates on which the receipt was created or modified.

(3) A law firm that is required by Rule 3-80 (5) (b) *[Cash transactions]* to return cash must obtain and record a receipt for the transaction signed on behalf of the law firm and by the person to whom the cash is returned that records and identifies

(a) the date on which the cash was returned,

(b) the name of the person to whom the cash was returned,

(c) the amount of cash returned,

(d) the name of the client for whom the cash had initially been received,

(e) the client matter in respect of which the cash had been received, and

(f) all dates on which the receipt was created or modified.

(4) A law firm is not in breach of this rule if a receipt is not signed by the person from whom the cash is received if the law firm makes reasonable efforts to obtain the signature of that person.

Reporting

Annual accounting report

3-82 (1) A law firm must deliver to the Executive Director, in the prescribed form completed to the satisfaction of the Executive Director and signed by the owner designated under Rule 3-54 *[Law firms]*, an annual accounting report for reporting periods of 12 months.

(2) A law firm must deliver a completed annual accounting report to the Executive Director within 3 months of the end of each reporting period.

(3) On a written request made by a law firm before the due date of the annual accounting report, the Executive Director may allow a law firm to submit the required report covering a time other than 12 months.

(4) The date on which a law firm ceases to practise law is the end of a reporting period, whether or not it has been less than 12 months since the law firm filed its most recent annual accounting report.

(5) The owners of the law firm at the time a law firm ceased to practise law are required to ensure that the annual accounting report of the law firm is completed as required.

(6) Subrule (5) applies to an owner of a law firm at the time the law firm ceased to practise law who has subsequently become a former member of the Society.

(7) A law firm must list in the annual accounting report the names of all lawyers who have practised at the law firm during any portion of the reporting period.

(8) A lawyer who is a non-practising or retired member during a portion of a reporting period is required to file an annual accounting report if the lawyer

(a) has been named on a trust account, including a dormant or inactive trust account, in British Columbia or in any other jurisdiction that has not been included on an annual accounting report filed by a law firm, and

(b) has either

(i) received, held or withdrawn funds in a trust account in any capacity, or

(ii) received, held or withdrawn fiduciary funds.

(9) A former lawyer must deliver to the Executive Director an annual accounting report as required under subrule (1) for any period during which the former lawyer was a member of the Society if no other annual accounting report has been delivered that includes the former lawyer's practice of law during a reporting period.

CPA report

3-83 (1) The Executive Director may require a law firm, a law firm that has ceased to practise law, a non-practising or retired member, or a former lawyer who is required to deliver an annual accounting report under Rule 3-82 *[Annual accounting report]* to also deliver a CPA report.

(2) Where a CPA report is required under subrule (1), it must be completed and signed by a Chartered Professional Accountant licensed by the Chartered Professional Accountants of British Columbia to complete audit or review engagements and who is not otherwise employed or retained by the law firm or former lawyer to prepare any other accounting records required by these rules.

(3) A CPA report required by the Executive Director forms part of the annual accounting report.

(4) The CPA report must be in the prescribed form, be completed to the satisfaction of the Executive Director and delivered within the time specified by the Executive Director.

Non-Compliance

Definitions

3-84 In Rules 3-85 to 3-87.3

"law firm" includes, where the context requires, a non-practising or retired member or a former lawyer who is personally required to file an annual accounting report or a CPA report;

"owner" includes, where the context requires, a non-practising or retired member or a former lawyer who is personally required to file an annual accounting report or a CPA report.

Non-compliance concerning annual accounting report or CPA report

3-85 (1) The annual accounting report, including any required CPA report, of a law firm that has not complied with this division must state the non-compliance with these rules, together with an explanation of the circumstances of the non-compliance and reasons for them.

(2) Where an annual accounting report, including any required CPA report, has not been completed to the satisfaction of the Executive Director, the Executive Director may require the law firm to file an amended report by a date set by the Executive Director.

(3) The Executive Director may, following a review of an annual accounting report or CPA report identifying non-compliance, accept the law firm's explanation and reasons

(a) without condition, in which case the law firm is deemed to have complied with Rule 3-82 *[Annual accounting report]*, or

(b) subject to the law firm fulfilling accounting conditions specified by the Executive Director, in which case, on fulfillment of those conditions to the

satisfaction of the Executive Director, the law firm is deemed to have complied with Rule 3-82 *[Annual accounting report]*.

Late filing of annual accounting report or CPA Report

3-86 (1) In this Rule and in Rules 3-85.2 *[Failure to file a CPA report]* and 3-85.3 *[Compliance audit]*, **"lawyer"** includes a former lawyer.

(2) Where a law firm fails to deliver an annual accounting report or a CPA report as required, the Executive Director must immediately notify the law firm by delivering notice of the failure to the representative of the law firm designated under Rule 2-12.5 *[Designated representative]*.

(3) A law firm that fails to deliver an annual accounting report or CPA report by the date required under Rule 3-82 *[Annual Accounting report]* or 3-85 (2) *[Non-compliance concerning annual accounting report or CPA report]*, or a CPA report by the date required under Rule 3-83 (5) *[CPA report]*, is deemed to have been in compliance with the rules during the period of time that the law firm was late in delivering the report if the law firm delivers the following to the Executive Director within 30 days of the due date:

(a) all required reports;

(b) the late fee specified in Schedule 1.

(4) Each owner of a law firm that does not deliver a report within 30 days after delivery of the notice required under subrule (2) is liable to pay the assessment specified in Schedule 1 until the report is delivered.

(5) When there are special circumstances, the Executive Director may, on application in writing by the law firm or an individual owner of the law firm, and in the Executive Director's discretion, waive payment of all or part of an assessment made under this rule either without conditions or on any conditions that the Executive Director considers appropriate.

(6) An application under subrule (5) may only be made if the required report has been delivered.

Failure to file annual accounting report or CPA report

3-87 (1) Subject to subrules (3) and (4), all owners of a law firm that does not deliver a report under Rule 3-82 *[Annual Accounting report]* or 3-83 *[CPA report]* for 60 days after it is required are suspended until the report is completed to the satisfaction of the Executive Director and delivered as required.

(2) A report is not delivered for the purposes of subrule (1) unless all explanations of any non-compliance required by the Executive Director are delivered to the Executive Director.

(3) Where there are special circumstances, the Executive Director may on application in writing, in the Executive Director's discretion, waive or delay for a specific period of time the suspension of any individual owner of the law firm.

(4) Where the Executive Director is not prepared to waive or delay the suspension of any individual owner of the law firm, the Executive Director must refer the application to the Chair of the Discipline Committee to confirm the Executive Director's decision, or to allow the application.

(5) At least 30 days before a suspension under subrule (1) can take effect, the Executive Director must deliver to each owner of the law firm notice of the following:

(a) the date on which the suspension will take effect;

(b) the reasons for the suspension;

(c) the means by which the law firm or any individual owner of the law firm may apply to the Executive Director for an order under subrule (3) and the deadline for making such an application before the suspension is to take effect.

(6) If the law firm has not delivered an annual accounting report, including any required CPA report, after it is required, the Executive Director may engage or assign a person qualified under 3-83 (2) *[CPA report]* to complete the required report.

(7) The chair of the Discipline Committee may order that a law firm pay to the Society all or part of the costs associated with the annual accounting report referred to in subrule (6).

(8) A law firm that is ordered by the chair of the Discipline Committee, under subrule (7) to pay costs, must pay those costs in full by the date set or extended by the chair.

(9) If any part of the amount owing under subrule (7) remains unpaid by the date set in Rule 2-105 (2) or (3) *[Annual practising and indemnity fee instalments]*, the owners of the law firm concerned must not engage in the practice of law unless the Benchers order otherwise.

Compliance Audit

3-87.1 (1) The Executive Director may at any time order a compliance audit of the books, records and accounts of a law firm for the purpose of determining whether the law firm or a lawyer practising law through the law firm meets standards of financial responsibility established under this Part, including but not limited to the maintenance of all books, records and accounts in accordance with this division.

(2) When an order is made under subrule (1),

(a) the Executive Director must notify the law firm of the order, and

(b) on notification of the order, the law firm concerned must, by the date specified in the notification and as required by the Executive Director

(i) produce to the Executive Director, and permit the copying of all files, books, records, accounting records and any other evidence, and

(ii) provide to the Executive Director any explanations required for the purpose of completing the compliance audit.

Failure to produce records on compliance audit

3-87.2 (1) Subject to subrules (2) and (3), where a law firm that is the subject of a compliance audit under Rule 3-87.1 *[Compliance audit]* has not complied with Rule 3-87.1 (2) (b), its owners are suspended until, to the satisfaction of the Executive Director,

(a) the law firm has produced and permitted the copying of all books, records, accounting records, material and other evidence required to be produced to conduct the audit;

(b) the law firm's records are accurate, reliable, and complete, and

(c) the law firm has provided explanations as required under Rule 3-87.1 (2) (b) (ii)

(2) Where there are special circumstances, the Executive Director may on application, in the Executive Director's discretion, waive or delay for a particular period of time the suspension of any individual owner of the law firm.

(3) Where the Executive Director is not prepared to waive or delay the suspension of any individual owner of the law firm, the Executive Director must refer the application to the Chair of the Discipline Committee to confirm the Executive Director's decision, or to allow the application.

(4) At least 7 days before a suspension under this rule can take effect, the Executive Director must deliver to each owner of the law firm notice of the following:

(a) the date on which the suspension will take effect;

(b) the reasons for the suspension;

(c) the means by which the law firm or any individual owner of the law firm may apply to the chair of the Discipline Committee for an order under subrule (2) and the deadline for making such an application before the suspension is to take effect.

(5) Where the material produced at the compliance audit is incomplete, inaccurate, or unreliable, and where the law firm has failed to provide an adequate explanation, the Executive Director may order a follow-up audit.

Costs

3-87.3 (1) The Executive Director may order that a law firm or any of its owners pay to the Society all or part of the costs of a follow-up audit ordered under Rule 3-87.1 (4) *[Compliance audit]*, and may set and extend the date for payment.

(2) A law firm that is, or any of its owners who are, ordered by the Executive Director, under subrule (1), to pay costs must pay those costs in full by the date set or extended by the Executive Director.

(3) If any part of the amount owing under subrule (1) remains unpaid by the date set in Rule 2-105 (2) or (3) *[Annual practising and indemnity fee instalments]*, all owners

of the law firm must not engage in the practice of law unless the Benchers order otherwise.

Non-Compliance

Non-compliance with this division

3-87.4 (1) Where the Executive Director is satisfied that a law firm has not complied with the requirements set out in this division, the Executive Director may, where it is in the public interest to do so, place conditions on a law firm's operation of a trust account.

(2) Where the Executive Director acts under subrule (1), the Executive Director must provide the law firm with written reasons for the decision.

(3) A law firm that is subject to an order under subrule (1) may apply to chair of the Discipline Committee for a review of the Executive Director's decision

Disposition of Practice

Disposition of files, trust funds and other documents and valuables

3-87.5 (1) A law firm that intends to cease the practice of law must advise the Executive Director in writing of

(a) the date on which it intends to cease the practice of law, and

(b) its intended disposition of all of the following that relate to the law firm's law practice

(i) trust accounts and trust funds;

(ii) open and closed files;

(iii) wills and wills indices;

(iv) titles and other important documents and records;

(v) other valuables;

(vi) the fiduciary funds held by any lawyer working at the firm on the date of cessation.

(2) Within 30 days after ceasing to practise law, a law firm must confirm to the Executive Director in writing the date that it ceased to practise law and that

(a) all trust accounts referred to in subrule (1) (b) (i) have been closed and that

(i) all the balances have been

(A) remitted to the clients or other persons on whose behalf they were held,

(B) transferred to another lawyer with written instructions concerning the conditions attaching to them, or

(C) paid to the Society under Rule 3-89 *[Payment of unclaimed trust money to the Society]*, and

(ii) any net interest earned on a pooled trust account has been remitted to the Foundation in accordance with this division, and,

(b) the documents and property referred to in subrule (1) (b) (ii) to (vi) have been disposed of, and any way in which the disposition differs from that reported under subrule (1),

(c) the law firm has notified all clients and other persons for whom any lawyer working at the law firm at the time the law firm ceased to practise law is or may become a personal representative, executor, trustee or other fiduciary regarding the lawyer or former lawyer's withdrawal from practice and any change in the lawyer's membership status.

(3) If a lawyer who leaves a law firm and who ceases to practise law intends to deal with the documents and property listed in subrule (1) (b) (ii) – (vi) other than by leaving them at the law firm, the lawyer must advise the Executive Director as to how the lawyer has dealt with those documents and property.

(4) Unless the requirements of subrule (2) (a) – (c) or subrule (3) have been met, a lawyer who practised law at the law firm at the date of its ceasing to practise law or a lawyer to whom subrule (3) applies, is not eligible to be

(a) a non-practising member under Rule 2-3 *[Non practising members]* or

(b) a retired member under Rule 2-4 *[Retired members]*.

(5) Where a law firm has ceased the practice of law and all the members of the law firm have ceased to be members of the Society, the requirements under subrule (2) must be discharged by those former lawyers.

(6) Subrules (1) and (2) do not apply to a law firm operated by a sole practitioner who becomes a non-practising member in order to accommodate a leave of absence from the practice of law of no more than three years, provided that the law firm has satisfied the Executive Director that arrangements have been made by the law firm for the handling of its practice and trust accounts during the period that the lawyer will be a non-practising member.

(7) On written application by a law firm that is subject to subrule (4) or by a lawyer who practised law at the law firm at the date of its ceasing to practise law, the Executive Director may extend the time limit referred to in subrule (1) or (2) or, if in the opinion of the Executive Director it is in the public interest, relieve the lawyer or former lawyer of any of the requirements of those subrules.

(8) On an enquiry, the Executive Director may disclose information collected under this rule if satisfied that

(a) the person enquiring has a bona fide reason to obtain the information, and

(b) disclosure of the information would not be an unreasonable invasion of anyone's privacy.**"**

9. In Part 3, Division 8, Rules 3-88 to 3-94, by replacing the word "money***" where it appears, and replacing it with the word "***funds***";***

10. In Rule 3-98, by adding the following definitions to appear in alphabetical order with existing definitions:

"financial entity" means a fnancial entity headquartered and operating in a country that is a member of the Financial Action Task Force on Money Laundering;

"lawyer" includes a law firm;

11. By adding the following as Rule 3-98.1

Personal Responsibility

3-98.1 A lawyer remains individually and personally responsible to ensure that the duties and responsibilities under this division are carried out whether or not the lawyer has delegated to another person, where permitted, any of the duties or responsibilities set out under this division.

12. By adding the following as subrule (1.01) to Rule 3-99:

(1.01) Where a lawyer holds fiduciary funds, the rules in this division apply as if the person for whom the funds are held is a client of the lawyer.

13. In Rule 3-100 (2), by rescinding "unless the lawyer has reason to believe that the information, or the accuracy of it, has changed***" and replacing it with "***unless the lawyer has reason to believe that the information has changed or become inaccurate***";***

14. By numbering current rule 3-101 as subrule (1) and by adding the following subrules:

(2) Where money is paid, received or transferred by electronic funds transfer between financial institutions or financial entities, a lawyer is exempt from the requirements relating to the verification of the identity of the client in Rules 3-102 to 3-106, provided the transmission record contains

(a) a reference number,

(b) the date of the transfer of the money,

(c) the currency of the money transferred,

(d) the amount of money transferred,

(e) a reference number,

(f) the date of the transfer, and

(g) the names of the sending and receiving account holders and the sending and receiving financial institutions or financial entities.

(3) Where subrule (2) applies, a lawyer remains obligated to make and record the enquiries and information regarding the source of money set out in Rule 3-102 (1) (a).

15. In Rule 3-102,

By rescinding subrule (1) and replacing it with the following:

(1) When a lawyer provides legal services in respect of a financial transaction, the lawyer must

(a) obtain from the client and record, with the applicable date, the following information about the source of money:

(i) the payer's full name, occupation and contact information;

(ii) the relationship of the payer to the client;

(iii) the date on which the money was received by the lawyer from the payer;

(iv) the economic activity or action that generated the money;

(v) the form in which the money was received by the lawyer;

(vi) the full name and address of all financial institutions or other entities through which the payer processed or transmitted the money to the lawyer;

(vii) any other information relevant to determining the source of money, and

(b) verify the identity of the client using documents or information described in subrule (2).

By replacing the word "that***" in subrule (2) with the word "***the***";***

16. In Rules 3-105 (2) and 3-106 (2), by rescinding "unless the lawyer has reason to believe that the information, or the accuracy of it, has changed***" and replacing it with "***unless the lawyer has reason to believe that the information has changed or become inaccurate***";***

17. By rescinding Rule 3-107 (1) and replacing it with the following:

(1) A lawyer must obtain and retain a copy of every document used to verify the identity of any individual or organization or to obtain information about the source of any money for the purposes of Rule 3-102 (1) *[Requirement to verify client identity and obtain information on source of money]*.

18. In Part 8, by adding the following rules before Rule 8-1

Recording funds received on fees, expenses and disbursements

8-0.1 (1) A law firm must record in its general account records all funds received by the law firm expressly on account of fees earned and billed or incurred as expenses or disbursements.

(2) A law firm must record in its trust account records all funds subject to a retainer of a fixed fee agreement for professional fees with the client until the point in time that the fees have been earned.

(3) A law firm that has provided the services relating to funds recorded under subrule (2) must promptly deliver a bill containing sufficient particulars to identify the services performed and the fees, disbursements and expenses incurred.

Billing

8-0.2 A bill required by section 69 *[Lawyer's bill]* must be delivered to a client by,

(a) delivering it personally to the client,

(b) mailing it to the client's last known address,

(c) transmitting it by electronic facsimile to the client at the client's last known electronic facsimile number,

(d) transmitting it by electronic mail to the client at the client's last known electronic mail address, or

(e) made available to the client by other means agreed to in writing by the client.

Billing records

8-0.3 (1) A law firm must keep file copies of all bills delivered to clients or persons charged

(a) showing the amounts and the dates charges are made,

(b) indicating all dates on which the bill was created or modified,

(c) identifying the client or person charged, and

(d) filed in chronological, alphabetical or numerical order.

(2) The records required by this Rule form part of the books, records and accounts of a law firm.

Billing of disbursements

8-0.4 A law firm must not bill for disbursements or expenses before they have been incurred except by prior written agreement with the client for known disbursements for filing or registration fees.

Payment of fees from trust

8-0.5 (1) A law firm that withdraws or authorizes the withdrawal of trust funds for payment of professional fees, expenses or disbursement relating to the provision of legal services must

(a) prior to the withdrawal or authorization of the withdrawal, deliver a bill to the client in accordance with Rule 8-0.2 *[Billing]*

(b) transfer the funds to the law firm's general account before distribution to any persons.

(2) A lawyer must not take fees from trust funds when the lawyer knows that the client disputes the right of the lawyer to receive payment from trust funds, unless

(a) the client has agreed that the lawyer may take funds from trust to satisfy the lawyer's account and the client has acknowledged that agreement in writing or the lawyer has confirmed the client's agreement in a letter delivered to the client,

(b) a bill has been delivered under subrule (1),

(c) the lawyer has given the client written notice that the fees will be taken from trust unless, within one month, the client commences a fee review under section 70 *[Review of a lawyer's bill]* or an action disputing the lawyer's right to the funds, and

(d) the client has not commenced a fee review under section 70 or an action at least one month after written notice is given under paragraph (c).

(3) Despite subrule (2), if a lawyer knows that the client disputes a part of the lawyer's account, the lawyer may take from trust funds fees that are not disputed.

(4) A lawyer must not take fees from trust funds impressed with a specific purpose, if the object of the trust has not been fulfilled, without the express consent of the client or another person authorized to give direction on the application of the trust funds.

Lawyer's right to claim funds

8-0.6 Nothing in these Rules deprives a lawyer of any recourse or right, whether by way of lien, set-off, counterclaim, charge or otherwise, against

(a) funds standing to the credit of a client in a trust account, or

(b) valuables held for a client.

19. In Schedule 1, section L

By adding in the title "and assessments***" following "***Late fees***"***

By rescinding paragraph 1 of section L and replacing it with the following:

1. Annual accounting or CPA report late filing fee (Rule 3-86 (3) (b) *[Late filing of annual accounting report or CPA report]*) 325.00

By adding the following paragraph to section L following paragraph 1:

1.1 Assessment for each month an annual accounting report or CPA report has not been filed (Rule 3-6 (4) *[Late filing of annual accounting report or CPA report]*) 600.00

REQUIRES 2/3 MAJORITY OF BENCHERS PRESENT