



# THE SOLICITORS' ACCOUNTS RULES ("SAR")

## GUIDE TO SOLICITORS' ACCOUNTS



THE LAW SOCIETY  
OF SINGAPORE

*Updated as at March 2016*

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Published by The Law Society of Singapore  
39 South Bridge Road, Singapore 058673

# Preface

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In the Law Society's Annual Report 2014, the Solicitors Accounts Rules (SAR) Committee informed that an update and rewrite of the guidebook for members on the SAR was being done by the Committee.

The Committee has completed the update and made it available on the Law Society's website with the intention that it will prove to be a comprehensive and handy resource for all members.

The Committee would like to thank the Attorney-General for his permission in allowing the Committee to reproduce, in the Appendix, the relevant Rules including the SAR made under the Legal Profession Act.

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Mimi Oh - Vice-Chairperson  
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# Chapter 1

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## ***ACCOUNTING FOR THE LEGAL PROFESSION***

### **1.1) PURPOSE OF ACCOUNTING**

The purpose of accounting is to provide information. For a professional practice, accounting is to provide information on how the practice is doing, what is the profit or loss for the financial period, and what are its assets and liabilities at the end of the period.

### **1.2) RULES UNDER THE LEGAL PROFESSION ACT (CAP 161)**

But for a solicitor in practice, accounting is required not only to provide him with the financial information he requires, but also to ensure that the solicitor keeps proper accounts for the protection of his clients.

A solicitor must ensure that clients' money is not mixed up with his own and must properly account for it. The Rules made under the Legal Profession Act (LPA) are to ensure that this is done.

These Rules are:

1. Legal Profession (Solicitors' Accounts) Rules, [Cap 161 R8];
2. Legal Profession (Solicitors' Trusts Accounts) Rules, [Cap 161 R9];
3. Legal Profession (Accountant's Report) Rules, [Cap 161 R10]; and
4. Legal Profession (Deposit Interest) Rules, [Cap 16 R5].

These Rules are discussed in detail in Chapters 4 to 7 and their texts are reproduced in Appendices IV to VII. Examples of the application of these Rules can be found in Appendix III.

### 1.3) RESPONSIBILITY FOR PROPER ACCOUNTING

The responsibility in a legal practice for maintaining a proper accounting system which complies with the Rules falls on the solicitor himself. If he practices as a sole proprietor, it is of course, his sole responsibility for the proper maintenance of the accounts of his firm. In a partnership, be it a full liability partnership or a Limited Liability Partnership (LLP), the responsibility is shared by all partners (including salaried partners). And in a Law Corporation (LLC), this responsibility rests with all the directors of the LLC. This is so even though the financial control of the firm/corporation may be delegated to a single partner/director. **The sole proprietorship/partnership/LLP/LLC (hereinafter called 'the firm' or 'the practice')** has the responsibility to ensure that the books of account are always kept up to date. **Failure to do so can amount to gross dereliction of duty which can result in serious disciplinary consequences.** It is recommended that in a smaller practice these should be written up weekly and, in a larger practice on a daily basis.

# Chapter 2

## ***PRINCIPLES OF ACCOUNTING***

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For an easier understanding of accounting principles, think of your practice (i.e. the firm you are running) as being independent of and separate from you, the owner. This may be as difficult for you to comprehend as for the layman to regard a limited company which he (and his wife) wholly owns as being separated from him. But from the accounting point of view, your legal practice is regarded as an entity separate from you. This is so, irrespective of the type of ownership, i.e. whether your practice is a sole proprietorship, a partnership, an LLP or an LLC. Thus, according to accounting principles, when your practice has dealings with you the transactions must be recorded in the account books of the firm.

This relationship can best be seen at the commencement of a legal practice. You put in \$10,000 cash to start your practice. A firm comes into being. In accounting terms, the cash provided by you becomes an asset of the firm. It owes you \$10,000 and against that liability the firm holds cash in the sum of \$10,000. In other words, your capital in the firm has become the firm's liability and the sum of \$10,000 cash, its asset. Thus springs the accounting equation:

Liabilities (here, Capital) = Assets (here, Cash)

If, say, the firm needs further capital of \$5,000 and borrows it from a bank; with this money (\$10,000 from you and \$5,000 from the Bank) the firm buys a computer for, say, \$5,000 and furniture for \$8,000 and puts the balance of \$2,000 into its bank account, the balance sheet of the firm at that date would look as follows:

### **LIABILITIES**

Capital (your money)	\$10,000
Bank Loan	\$ 5,000
	\$15,000

### **ASSETS**

Computer	\$ 5,000
Furniture	\$ 8,000
Cash in Bank	\$ 2,000
	\$15,000

The balance sheet is a list of individual liability and asset items suitably arranged and classified in the manner as in the accounting equation above. It gives a static view (like a still photograph) of the

assets and liabilities of the firm at a given date.

The profit and loss account of the firm is a listing of all revenues and expenses of the firm over a period of time and the accounting profit or loss is the resultant figure arrived at by matching revenues against expenses of the firm. It gives a dynamic view (like a video film) of the firm over a period of time. Thus:

$$\text{Profit} = \text{Revenue} - \text{Expenses}$$

The function of accounting is thus the recording of the firm's transactions over a period of time.

Let us say you started practice in January 2012.

In the course of the year, you billed and collected \$190,000.00 in fees. You also paid your staff salaries of \$80,000.00 plus CPF of \$6,000.00. Your office rent cost you \$19,000.00.

At the end of the year, your profit and loss account will look something like this:-

Profit & Loss Account for the year ended 31st December 2012

<u>Revenue</u>	<u>\$</u>	<u>\$</u>
Fee Collection		190,000
<u>Less Expenses</u>		
Staff Salaries	80,000	
CPF	6,000	
Rent	19,000	<u>105,000</u>
Profit for the year		<u>85,000</u>

Before the balance sheet and profit and loss account can be drawn up, proper books of account and records must be kept.

The accounting system receives its basic information from documents and records of transactions. Documents can be internally or externally generated. But internally generated documents and records must be designed to suit the requirement of the practice. The normal accounting sequence is:

Transactions -> Documents -> Journals -> Ledgers -> Reports.

# Chapter 3

## ***BOOKS OF ACCOUNT AND OTHER RECORDS***

Now that we have understood the general principles of accounting, let us see what are the books and records that a law practice must keep to establish a proper system of accounting.

Accounting systems are now computerised; account books are kept electronically. But most supporting documents like cheques and bills are still in hard copy form.

This Chapter lists the core books of account and other records of a typical law practice.

### **3.1) A LIST OF THE CORE BOOKS OF ACCOUNT AND OTHER RECORDS OF A TYPICAL LAW PRACTICE**

Ref	Ledger / Reports	Purpose	Supporting documents
a	<b>Bank/Cash Ledger – Office</b> <b>Petty Cash Book – Office</b>	To record daily receipts & payments, be they in cheques or direct credit/ giro or cash, to extract bank items to prepare monthly bank statement to reconcile to Bank's Statement. Bank/ Cash Ledger is the primary source for the preparation of Cash Flows Statement.	Bank-in slips, official receipts, suppliers' invoices, payment vouchers, petty cash vouchers, bank books, cheque books/stubs, weekly/ monthly bank statements, <u>receipt books, requisition slips, receipt cash book, payment cash book.</u>
b	<b>Bills (Sales) Ledger</b> <b>Bills delivered book</b>	Recording of fees & disbursements rendered to clients.	Bills or invoices in sequential or controlled numbers.

Ref	Ledger / Reports	Purpose	Supporting documents
c	<b>Account Receivables Ledger</b>	To keep a record of clients with outstanding bills for follow up action such as LOD or to write off if recovery is slim.	List extracted from Bills (Sale) Ledger.
d	<b>Client Bank Ledger Receipt Cash Book Payments Cash Book</b>	To record receipts and payment of client money, to extract items in Client statement to reconcile to Client Bank Statement at month end	Bank-in-slips or bank advice, supplier's or payment vouchers, Client bank books and Client's Bank Statements, cheque books.
e	<b>Client Control Account</b>	To keep a record of net balances of clients.	Client Bank Ledger.
f	<b>Journal (Client and Office Account)</b>	To record transactions of a non-cash nature or items reflecting the adopted accounting policies of the firm. A description or narration is a must to reflect proper account entries.	The adopted accounting policies of the firm such as method and rate of depreciation of fixed assets, writing off of bad debts, provision for doubtful debts etc. Journal entries are usually approved by authorised personnel.
g	<b>General Ledger (GL) (Client and Office account)</b>	To consolidate all the individual accounts in all the ledgers opened during an accounting period. Certain accounts such as Bills & Account Receivables are transferred into the GL in a lump sum or control figure.	Not applicable as GL is the consolidation of all transactions from above items in (a) to (f).
h	<b>Trial Balance (TB) (Client and Office Account)</b>	TB is extracted from the GL. It is a list of balances of all the accounts in the GL at a particular date usually at each month-end.	Financial report generated from GL.

However, in order to maintain a comprehensive accounting system, it would be desirable for various other records to be maintained as well. A list of a more complete set of records is set out in Appendix I for your easy reference.

### 3.2) CASH BOOK

Cheque payments and receipts should be recorded in a Cash Book. Separate Cash Books may be maintained for the Client bank account and Office bank account or alternatively the Cash Book may be designed for both office and client matters to be recorded in the same Cash Book. In certain instances, the payments Cash Book is kept separate from the receipts Cash Book. Where more

than one Client bank account is maintained, it is common practice to maintain separate Cash Books for each bank account to ensure that proper bookkeeping is maintained. A sample page of a receipts Cash Book and payments Cash Book is set below.

### ABC & Partners

#### Cash Book - Receipts

Date	Official Receipt	Particulars	Folio Ref.	Client Account	Office Account	Bill Ledger	Others
199X 5/6/9X	432	Mr Ahmad Jaffar	A20	\$ 2,000.00	\$ 5,000.00	\$ 5,000.00	\$
6/6/9X	433	Mr Tan Ah Meng	T25	10,000.00			
8/6/9X	522	Mrs. Soh Siok Yian	S15		5,000.00	5,000.00	
10/6/9X	434	Miss Lim Ah Moi	L13	4,500.00			
				16,500.00	10,000.00	10,000.00	

### ABC & Partners

#### Cash Book - Payment

Date	Cheque No.	Particulars	Folio Ref.	Client Account	Office Account	Salaries	Telephone	Entertainment Expenses	Others
199X 3/6/9X	542340	Comptroller Property Tax File Ref. 153/91	T35	\$ 15,000.00	\$	\$	\$	\$	\$
4/6/9X	452144	Lunch with Mr. A. Gabriel	58		153.30			153.30	
5/6/9X	452145	Salary for temporary staff	25		524.00	524.00			
6/6/9X	452146	TAS bills	36		2,432.00		2,432.00		
10/6/9X	542341	Central Provident Fund Board File Ref. 32/91	A8	122,000.00					
				137,000.00	3,109.30	524.00	2,432.00	153.30	

### 3.3) GENERAL LEDGER AND SUBSIDIARY LEDGERS

The General Ledger is a book of prime entry. It contains all the individual accounts opened during an accounting period. When an entry is made in an account of the general or other ledgers it is referred to as a posting.

A Subsidiary Ledger is a memorandum book of account and is expansion of an individual account in the General Ledger. The need for Subsidiary Ledgers arises due to the volume of transactions. The most common types of Subsidiary Ledgers are:

- a) Clients' Ledger - detail of clients moneys received and paid
- b) Bills Ledger - detail of receivables due and cash received

A large number of accounts would have to be opened in the General Ledger if every individual client were to be included. In order to reduce the number of accounts in the General Ledger only two accounts called the 'Clients' Ledger Control Account' and the 'Bills Ledger Control Account' are maintained in the General Ledger. These accounts are a summary of the transactions included in the Subsidiary Ledgers: Clients' Ledger and Bills Ledger. The sum total of each Subsidiary Ledger account would equal the balance shown in the individual Control account in the General Ledger. At the end of a specified period, say a month, collective entries are made to the Clients' Ledger and Bills Ledger Control Accounts in the General Ledger to record all the transactions recorded in the Subsidiary Ledgers in the month.

In order to keep track of the amount owed to or by each client a Clients' Subsidiary Ledger (for transactions involving the client bank account) or Bills Ledger (for transactions involving the office account) is maintained in which every client has a separate account. The sum of all the balances in the Clients' Subsidiary Ledger will equal the balance on the Clients' Ledger Control Account in the General Ledger and the same will be true for the Bills Ledger. A sample of a page in the Clients' Ledger is shown on below:

#### ABC & Partners Client Account

Mr Lim Ah Soo					File No. 55/2014
Date	Particulars	Ref.	Debit \$	Credit \$	Balance \$
5/6/9X	Cash	CRB 52		5,000.00	5,000.00
7/6/9X	Registrar of Titles	CPB 156	150.00		4,850.00
8/6/9X	Postage, telephones, sundries	P. Cash	25.00		4,825.00

It is important that the amount withdrawn on behalf of a client does not exceed the amount received from him or on his behalf. In such a case, the Client's Subsidiary Ledger would be in 'debit', i.e. an amount is owing by the client. A 'debit' balance indicates that moneys belonging to other clients have been used for the benefit of the client whose account is in debit.

### 3.4) BILLS DELIVERED BOOK

A Bills Delivered Book is used to record all the bills raised by a solicitor to his client distinguishing between costs and disbursements. Individual bills are also recorded in the Bills Ledger to reflect the solicitor's billings to individual clients. A sample of a Bills Delivered Book is shown below:



**ABC & Partners**  
**Bills Delivered Book**

Date	Client	Ledger Account Ref.	Inv. No.	Amount	Costs	Disbursements
<u>199X</u>				\$	\$	\$
3/6/9X	A Ltd (file ref 1/91)	A 15	465	1,800.00	1,000.00	800.00
4/6/9X	Mr Abdul Hamid (342/90)	A 85	466	1,562.50	900.00	662.50
5/6/9X	Mr Lim Ah Soo (file ref 55/91)	L 13	467	750.00	700.00	50.00
				4,112.50	2,600.00	1,512.50

### 3.5) JOURNAL

Entries which do not fall into the category of billings or bank or cash transactions are recorded in the Journal. The Journal normally records entries of an exceptional nature and therefore a description of these entries is necessary and this is called a narration. The narration is written below the entry. In a solicitor's practice a separate Journal would also be used to record transfers from one Client's Subsidiary Ledger account to another. Samples of a General Journal and a Clients' Journal are shown below.

**ABC & Partners**  
**General Journal (Office Account)**

Date	Details	Ledger Reference	Debit	Credit
30/6/9X	Telephone expenses Accrued expenses (To record accruals for telephone expenses for the month of June)	146	500.00	500.00

**ABC & Partners**  
**Clients' Journal**

Date	Details	Ledger Reference	Debit	Credit
30/6/9X	Transfer of funds from Mr Lee Sim Yee to Mr Andrew Wong  (Being payment by Mr Lee to Mr Wong as agreed between the parties)	File ref. 123/90 143/90	1,000.00	1,000.00

### 3.6) BANK RECONCILIATION STATEMENT

Rule 11(4) of the Solicitors' Accounts Rules requires that reconciliations must be prepared at least once every month to determine that the Bank Statement balance reconciles with the Client Cash Book balance. It is recommended that this is done for the office bank account as well to detect errors (if any) as soon as they have occurred.

#### Bank Reconciliation

##### XYZ Bank - Client Bank Account

Balance per bank statement		\$150,000.00
Add receipts deposited but not yet cleared by bank		<u>1,000.00</u>
		151,000.00
Less unpresented cheques		
No. 721 Com. Of Stamp Duties	\$100.00	
No. 722 Registrar of Land Titles	50.00	
No. 727 CPF Board	500.00	
No. 728 Com. of Property Tax	<u>1,000.00</u>	<u>1,650.00</u>
Balance per Cash Book		<u><u>\$149,350.00</u></u>

The reconciled Cash Book balance will show precisely the amount of funds available to the business. It will also allow useful identification of any areas of concern, such as errors in postings in Clients' Bank account and Office Bank account or banking in of client money erroneously in the Office Bank account. See paragraph 8.1 (i).

### 3.7) PETTY CASH BOOK

The Rules do not require the maintenance of a petty Cash Book. However, most firms would require a petty cash fund for day-to-day expenditure on small items. The petty cash fund can be maintained using the imprest system.

The system is operated on the basis of a pre-determined amount as the petty cash float, say \$100. Reimbursements are regularly made to the float to restore the fund to the pre-determined amount. All expenditure from the fund should be recorded by way of Petty Cash Vouchers. Pads containing Petty Cash Vouchers are available at most stationery shops. Reimbursements to the fund will represent the total of these amounts expended as recorded in the Petty Cash Vouchers.

Petty cash expenditure is usually recorded in a Petty Cash Book. An example based on an initial float of \$100 is as follows:

**ABC & Partners**  
**Petty Cash Book**

Date	Vch No.	Details	Debit \$	Credit \$	Postage \$	Taxi \$	Disbursements \$	Client Ref	Others \$
1/6/9X		Received via cheque no. 54678	100.00						
4/6/9X	10	Mr Lim Ah Soo		10.00			10.00	L 13	
5/6/9X	11	Lunch for staff		50.00					50.00
5/6/9X	12	Stamps		5.00	5.00				
6/6/9X	13	Transport		8.00		8.00			
15/6/9X		Received via cheque no. 54684	73.00						
				73.00	5.00	8.00	10.00		50.00

### 3.8) TRIAL BALANCE

A Trial Balance is a list of balances of all the accounts in the General Ledger at a particular date. When all the balances are extracted, the sum of the debits on the Trial Balance must be equal to the sum of the credits. Sometimes through error, the Trial Balance fails to balance. When this happens, the following errors could have taken place:

- The Trial Balance was wrongly added up;
- Balances shown in certain Ledger Accounts could have been wrongly transposed into the Trial Balance;
- Balances could have been incorrectly shown as debit or credit; i.e. a debit balance recorded as a credit balance and vice versa;
- Certain entries in the Cash Books and other prime books may not have been posted to the Ledger Accounts;
- The additions in the Cash Book and other prime books may have been incorrectly done.

The Trial Balance must balance i.e. the total of the 'debit' column must equal the total of the 'credit' column. A difference of only a few cents may hide massive compensatory errors. All the balances in the Trial Balance are reflected as part of the Balance Sheet or Profit and Loss Account. A sample of a Trial Balance is given on the next page:

**ABC & Partners****Trial Balance as at 31st December 20XX****(Financial report generated from General Ledger)****[Consider a more simple sample trial balance]**

	Debit (\$)	Credit (\$)	Ledger/Report	Purpose	Supporting Documents
<b>Capital account</b> <b>Fixed assets</b> <b>Office Bank Account</b>	40,000 15,500	20,000	Office Office Office	To record daily receipts & payments be received in cheques or direct credit/giro or cash, to extract bank items to prepare monthly bank statement to reconcile to Bank's Statement. Bank/Cash Ledger is the primary source for the preparation of Cash Flows Statement.	Bank-in slips, official receipts, suppliers' invoices, payment vouchers, petty cash vouchers, bank books, cheque books/butts, weekly/monthly bank statements, suppliers' invoices, bank statement etc.
<b>Drawings</b>	35,000		Legal services Equity Partner's remuneration.	Recording of fees & disbursements rendered to clients.	Bills or invoices in sequential or controlled numbers.
<b>Client Bank Account</b>	50,000		Client	To record receipts & payment of clients, to extract items in Client statement to reconcile to Client Bank Statement at month-end.	Bank-in-slips or bank advice, supplier's or payment vouchers, Client bank books and Client's Bank Statements.
<b>Bills Ledger Control Account</b>	14,560				
<b>Clients Ledger Control Account</b>		50,000	Client		
<b>Costs – fees billed</b>		190,000			
<b>Salaries</b>	80,000		General		
<b>Depreciation</b>	1,500		-do-		
<b>Office Rent</b>	19,000		-do-		
<b>Stationery</b>	750		-do-		
<b>Provision for depreciation of fixed assets</b>		1,500	-do-		
<b>Postage</b>	300		-do-		
<b>CPF</b>	6,000		-do-		
<b>Utilities</b>	4,500		-do-		

	Debit (\$)	Credit (\$)	Ledger/Report	Purpose	Supporting Documents
<b>Sundry Creditors</b>		5,610	Accounts receivables (records of outstanding bills, for following-up action)	To keep record of clients with outstanding bills for follow up action such as letter od demand or to write off if recovery is slim	List extract from Bills (Sales) Ledger
	<b><u>267,110</u></b>	<b><u>267,110</u></b>			

# Chapter 4

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## **LEGAL PROFESSION (SOLICITORS' ACCOUNTS) RULES [SAR]**

### **4.1) AIM AND OVERARCHING PRINCIPLES OF THE SAR**

The aim of the rules is to ensure the fair treatment of client's money and to maintain adequate book-keeping and recording systems. Compliance with the SAR will ensure that a solicitor separates client's moneys from his own. While conveyancing money is excluded from the definition of client's money as it is covered by a separate set of Rules, the same principles and broad considerations would continue to apply to conveyancing money held on behalf of clients.

The full text of the SAR appears in Appendix IV and a summary of its effect appears in the tables of Appendix II.

The overarching principles of the SAR are that client's money:

1. Is kept safe and separate from money belonging to the solicitor or to his law practice;
2. Must be deposited in a bank account or account with an approved finance company and identifiable as a client account;
3. Is used for that client's matter only;
4. Must be properly accounted for in accounting records and reconciled with no shortfalls.

### **4.2) DEFINITIONS**

Rule 2 contains a list of definitions which apply to certain words or phrases used in the SAR. Certain of these definitions also apply to the Legal Profession Solicitors' Trust Accounts Rules, Accountant's Report Rules, and Deposit Interests Rules.

#### **i) Client account**

- a) **Client account** is defined as meaning a current or deposit account at a bank in the name of the solicitor or a deposit account maintained in the name of a solicitor with an approved finance company and in both instances where in the title of which the word 'client' appears.

- b) The word 'bank' refers to banks registered under the Banking Act and approved by the Monetary Authority of Singapore. Accordingly, finance companies (other than approved finance companies), merchant banks and building societies would not fall under the definition of 'bank' and client's money cannot be deposited in such institutions.
- c) It is also essential that the word 'client' appears in the title of the bank account and/or account with the finance company, otherwise in the event of the bankruptcy or death of a sole practitioner difficulties may arise in identifying client's money.

## ii) **Client's money**

- a) **Client's money** is defined as money which is held or received by a solicitor on account of a person for whom he is acting either as a solicitor, as agent, bailee, stakeholder or in any other capacity. However, **client's money** does not include money held or received where a solicitor is a '**solicitor-trustee**' (see paragraph 4.2 (iii)). Money which belongs to the solicitor or one or more of his partners in the firm is also **not** client's money.
- b) Specific instructions from a client (in writing or acknowledged by the solicitor in writing) may override the SAR in relation to money received on his behalf. For example, a client may instruct that his money should be withheld from a client account, or retained in the solicitor's office in the form of cash or deposited in any account which is not a client account, e.g. a fixed deposit account with a finance company. In such cases client instructions should be adhered to.
- c) When a solicitor treats himself as a client, he cannot conduct his personal or office transactions through his client account. This applies to all practice structures including Limited Liability Partnerships and Law Corporations. Members' attention is drawn to Council's Guidance Note 1 of 2008 [re-numbered as GN 2013, Paragraph 4] which provides that members are not to deposit into their law practice client account money to which the only person entitled is a partner or director of a Limited Liability Partnership or a Law Corporation. As such, a solicitor acting for himself in a matter cannot deposit funds belonging to himself into the client account.
- d) The definition of client's money includes money held by a solicitor on account of a person for whom he is acting (in relation to the holding or receipt of such money) either as a solicitor, an agent, a bailee or a stakeholder or in any other capacity, other than -
  - (a) money held or received on account of the trustees of a trust of which the solicitor is solicitor-trustee;
  - (b) money to which the only person entitled is the solicitor himself or, in the case of a firm of solicitors, one or more of the partners in the firm; or

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<sup>1</sup> "conveyancing money" means all or any of the following types of money, and includes any such money which is held by a solicitor who acts for a party in the sale, purchase or assignment of any land, or in the grant or surrender of a lease, licence or tenancy in respect of land, after the completion of the sale and purchase of that land, assignment of that land, or grant of that lease, licence or tenancy, or after the surrender of that lease, licence or tenancy, as the case may be:

- (a) any money payable, in the sale and purchase of any land, to account of the purchase price;
- (b) any interest payable for the late completion of the sale and purchase of any land;
- (c) any other money payable, in the sale and purchase of any land, pursuant to the sale and purchase agreement;

- (c) conveyancing money<sup>1</sup> or anticipatory conveyancing money<sup>2</sup>.

In respect of conveyancing money, members can obtain information on the key changes in the conveyancing regime at [www.mlaw.gov.sg/conveyancing](http://www.mlaw.gov.sg/conveyancing) and access the Practice Directions / Guidance Notes relating to conveyancing money from the Member's Resource Library of the Law Society's website <http://www.lawsociety.org.sg/forMembers/ResourceCentre/MembersLibrary.aspx>.

### iii) **Solicitor-trustee**

**Solicitor-trustee** is defined as meaning a solicitor who is the sole trustee or a co-trustee with one or more of his partners or employees.

### iv) **Trust money**

**Trust money** is defined as money held or received by a solicitor which is not client's money or conveyancing money and which is subject to a trust of which the solicitor is a trustee whether or not he is a solicitor-trustee of such trust.

## 4.3) **PAYMENTS INTO CLIENT ACCOUNT (RULES 3, 4, 5, & 6)**

### i) **Rule 3**

Rule 3 provides that subject to certain exceptions (see paragraph 4.5), every solicitor who holds or receives client's money or money which the solicitor is permitted and elects to pay into the client account under Rule 4, must pay such money into a client account without delay. This means that client's money should be banked in on either the day of receipt or on the next working day. There

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- (d) any money payable, in the assignment of any land, to account of any consideration for the assignment;
  - (e) any interest payable for the late completion of the assignment of any land;
  - (f) any other money payable, in the assignment of any land, pursuant to any agreement relating to the assignment;
  - (g) any money payable, in the grant of a lease, licence or tenancy in respect of land, to account of any consideration for the lease, licence or tenancy;
  - (h) any interest payable for the late completion of the grant of a lease, licence or tenancy in respect of land;
  - (i) any other money payable, in the grant of a lease, licence or tenancy in respect of land, pursuant to any agreement relating to the lease, licence or tenancy, not being money payable only for repairs or improvements to the land;
  - (j) any rent, licence fee or deposit payable pursuant to the grant of a lease, licence or tenancy in respect of land;
  - (k) any money payable, in the surrender of a lease, licence or tenancy in respect of land, to account of any consideration for the surrender of the lease, licence or tenancy;
  - (l) any other money payable, in the surrender of a lease, licence or tenancy in respect of land, pursuant to any agreement relating to the surrender of the lease, licence or tenancy;
  - (m) any goods and services tax under the Goods and Services Tax Act payable in respect of a conveyancing transaction;
  - (n) any stamp duty chargeable under section 4(1) of the Stamp Duties Act on —
    - (i) any instrument mentioned in Article 3(a), (b), (ba) or (bb) or 6 of the First Schedule to that Act; or
    - (ii) any instrument involving land mentioned in Article 3(e), (g)(i) or (h), 7 or 11(a) of the First Schedule to that Act;
  - (o) any stamp duty amounting to or exceeding \$5,000 and chargeable under section 4(1) of the Stamp Duties Act on any instrument mentioned in Article 1, 8(a), (b) or (c) or 12 of the First Schedule to that Act;
  - (p) any money disbursed under a loan granted for or in connection with a conveyancing transaction, regardless of whether the loan is secured by the grant of a mortgage or charge on the land concerned;
  - (q) any money provided for the repayment of a loan granted for or in connection with a conveyancing transaction, regardless of whether the loan will be fully or partially repaid, and whether any mortgage or charge on the land concerned will be fully or partially



is no restriction to the number of client accounts or conveyancing accounts (i.e. bank and deposit accounts) which a solicitor may keep.

A solicitor shall not hold or receive conveyancing money or anticipatory conveyancing money except in accordance with the applicable provisions of the SAR and the Conveyancing Rules. These Rules provide that the circumstances in which a solicitor may hold conveyancing money in the client account are restricted to the situations provided under Rule 4(e) and Rule 4(f) i.e. float money and Rule 17 i.e. unclaimed conveyancing or anticipatory money deposited into the client account before 1st August 2011. Members are advised to read and familiarize themselves with these Rules and the relevant Guidance Notes and Practice Directions.

ii) Rules 4, 5 and 6

These Rules provide that certain moneys which are not client's money may also be paid into a client account. These are:

- a) trust money;
- b) money to open or maintain a bank account. This refers to minimum amounts the bank usually requires in order to open and maintain an account;
- c) money to replace any sum which has been withdrawn from the account in contravention of the SAR; and
- d) a cheque or draft received by a solicitor which consists of both client's money and non-client money. A solicitor in these circumstances has a choice. He may pay the cheque or draft into a client account and transfer the portion not relating to the client account out of the client

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redeemed or discharged (as the case may be), by the money so provided;

(r) any money withdrawn from the Central Provident Fund for or in connection with a conveyancing transaction;

<sup>2</sup> Rule 4 of the Conveyancing Rules which provides as follows:

General restriction on holding of conveyancing money by solicitor

4.—(1) A solicitor shall not, in the course of his employment or in the course of carrying on his trade, business, profession or vocation, receive or hold any conveyancing money (not being anticipatory conveyancing money) on behalf of another person, except in accordance with —

- (a) an escrow agreement; or
- (b) the applicable provisions of these Rules and the Legal Profession (Solicitors' Accounts) Rules (Cap. 161, R 8).

(2) A solicitor shall not, in the course of his employment or in the course of carrying on his trade, business, profession or vocation, receive or hold any anticipatory conveyancing money on behalf of another person.

(3) Any solicitor who contravenes paragraph (1) or (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000 or to imprisonment for a term not exceeding 3 years, or to both.

(4) In this rule —

“anticipatory conveyancing money” means any money deposited by a person —

- (a) for the sale and purchase of any land, to the account of the purchase price, before he has identified the land;
- (b) for the assignment of any land, to the account of any consideration for the assignment, before he has identified the land; or
- (c) for the grant or surrender of a lease, licence or tenancy in respect of any land, to the account of any consideration for the lease, licence or tenancy or for the surrender of the lease, licence or tenancy, as the case may be, before he has identified the land;

“conveyancing money” includes anticipatory conveyancing money.

account or split the cheque/ draft and pay the client's portion into the client account. However, in practice, banks do not cater for the splitting of cheques and drafts, so the solicitor must bank such money into the client account and transfer out the portion that does not belong to the client. A solicitor shall not hold or receive any sum of money which consists of a mixture of conveyancing money and any other money. In such situations, the solicitor shall split the conveyancing money from the other money and deal with the conveyancing money as if he had received the conveyancing money as a separate sum of money.

### **iii) Rule 6**

Rule 6 requires that money inadvertently paid into client account must be withdrawn without delay on discovery.

For example, interest on a client's general deposit account accrues to the solicitor but there may be occasions when the bank credits this to the client account contrary to instructions. This must be withdrawn without delay and deposited in the solicitor's own office account.

## **4.4) WITHDRAWALS FROM CLIENT ACCOUNT (RULES 7 & 8)**

### **i) Client money**

Rule 7 deals with the circumstances where a solicitor may withdraw client's money, conveyancing money and trust money, from the client account.

Withdrawals from client account are permitted in respect of:

- a) Payments to or on behalf of the client.
- b) Withdrawals of sums of money towards payment of a debt due to the solicitor or in reimbursement of money expended by the solicitor on behalf of the client.
- c) Withdrawals on instructions by the client.
- d) Payments towards the solicitor's costs. If money is to be withdrawn from client account in relation to the payment of solicitor's costs, a bill of costs or other written intimation of the amount of costs incurred must be delivered to the client. It must be made clear to the client in writing that the money held for him in the client account is to be applied to meet the costs. Members are reminded of Council's Practice Direction 2 of 2011 [renumbered as PDR 2013, Paragraph 79A] that a lapse of two working days after giving the notice must be allowed before transferring such amount for costs out of the client account.

Solicitors may simplify this procedure by either stamping or printing on bills a note stating that the money in client account will be applied towards payment of the bill after a lapse of 2 working days.

- e) Money transferred between two clients.

**ii) Trust Money**

In the case of trust money the SAR allow withdrawals where:

- a) The payment is in execution of the particular trust; and
- b) Money is to be transferred to a separate bank account kept solely for the benefit of the particular trust.

**iii) Other Withdrawals from Client Account**

A solicitor may also withdraw from the client account:

- a) money belonging to the solicitor which had been placed in the client account in order to open or maintain the account; or
- b) money not belonging to the client which formed part of a cheque or draft consisting of client's money and which he had banked into client account; or
- c) any money which was paid into the client account in error.

**iv) Withdrawal of Costs and Disbursements**

- a) The withdrawal of costs must be for specific sums which relate to a bill or other written intimation which has been delivered to the client. The book-keeping entries recording the transfer in respect of costs or disbursements should be made simultaneously with the movement of money between bank accounts or as soon as possible thereafter.
- b) Costs and disbursements should be transferred out of client account as soon as possible in accordance with the provisions of the SAR. Undrawn costs should not remain in client account as a 'cushion' against any future errors which could result in a shortage on that account or as a deferment of recognition of revenue. Notwithstanding delivery to a client of a bill or other written intimation of costs incurred and notwithstanding that a client has been notified that money held for him will be used to satisfy such costs, the money held in client account will continue to belong to that client until it is withdrawn in accordance with the SAR. Any such credit balances in the clients' ledger cannot therefore be regarded as available to set off against any general or specific shortage on clients' ledger accounts.

**v) Payment in Excess of Funds**

Any money withdrawn from client account should not exceed the amount of money held at that point of time on account of the particular client.

If a solicitor wishes to make payment on behalf of a client in excess of funds held for that client in the client account, the excess payment must be out of his office or personal resources.

**vi) Rule 8**

Rule 8 provides that except as provided under rule 7, no money shall be drawn from a client account unless the Council upon an application made to it by the solicitor specifically authorizes in writing such withdrawal.

Where money is to be withdrawn from client account for payment to a solicitor (for example, the proper payment of costs or a debt owed to him) or pursuant to paragraph 4.4 (iii), such money must be withdrawn either by way of a cheque in favour of the solicitor or by way of a transfer to a bank account in the name of the solicitor not being a client account.

Further, Rule 8(3) provides that no money shall be drawn from a client account under rule 7(1)(c) or (d) by a cash cheque or a bearer cheque.

Rule 8(4) provides that no money shall be drawn from a client account by a cash cheque or a bearer cheque except with the leave of Judge of the High Court. Bearing in mind these limitations, when acting for a client who is expected to receive funds from third parties, e.g. an accident victim expecting to receive funds from an insurance company, and the client has no bank account, it would be prudent to consider making appropriate arrangements, in advance, with the paying party so that payment can be received and collected by the client.

Withdrawals from the client account by means of any automated teller machine, telephone banking service or online banking service is also prohibited under rule 8(4A).

To tighten controls on withdrawals from the client account, rule 8(5) disallows withdrawals exceeding \$5,000 from the client account except by a cheque (or other instruction effecting the withdrawal) signed by 2 solicitors. Withdrawals by way of cheques signed by a single signatory are permitted only where the solicitor has engaged a book-keeper (as provided under rule 11(8)) and the sum to be withdrawn does not exceed \$30,000. In this regard, members should be aware of the duties of second signatories to ensure that withdrawals are made after proper verification as provided in Council's Practice Direction 3 of 2011 (renumbered as PDR 2013, Paragraph 79B)

In order to be eligible to sign such cheques or withdrawal instructions, a solicitor must be in practice as a solicitor in Singapore for at least 3 years in aggregate or employed as a Legal Service Officer for at least 3 years in aggregate and hold a current practising certificate which is not subject to any conditions prohibiting him or her from signing such cheques or instructions.

These provisions in the SAR on signing of cheques or instructions apply notwithstanding that the withdrawal is made with the leave of Court under Rule 8(4).

#### **4.5) CLIENT'S MONEY WITHHELD FROM CLIENT ACCOUNT (RULE 9)**

Rule 9 provides a number of circumstances where a solicitor is not under an obligation to pay into client account client's money held or received by him. These are:

- i) where money is received in cash and is without delay paid in cash in the ordinary course of business to the client or on his behalf; or
- ii) where money is received in the form of a cheque which is endorsed over in the ordinary course of business to the client or on his behalf to a third party and is not passed by the solicitor through a bank account; or
- iii) where money is paid into a separate bank account in the name of the client or some other

person designated by him in writing.

Rule 9 also deals with circumstances where a solicitor must not pay money into client account. This includes the circumstances where a client requests the solicitor to withhold such money from client account, providing that such a request is either in writing or acknowledged by the solicitor to the client in writing. Where funds are withheld from client account under instructions, an adequate record must nevertheless be made in the books of accounts of the receipt of the client money and the client's instructions;

Additionally, a solicitor must not pay into client account sums which are received by him:

- i) for or towards the payment of a debt owed to the solicitor by the client or in reimbursement of money expended by the solicitor on behalf of the client; or
- ii) sums paid on account of costs incurred in respect of which a bill of costs or other written intimation of the amount of costs incurred has been delivered for payment; or
- iii) as an agreed fee for business undertaken or to be undertaken. It is desirable as a matter of good practice, to reflect all fee agreements in writing.

However, sums received on account of costs generally must be paid into the client account and remain there until a bill of costs or written intimation of costs has been delivered.

#### **4.6) TRANSFERS BETWEEN CLIENTS (RULE 10)**

Rule 10 specifies that transfers from the account of one client to another can only be done if the conditions specified under the SAR for withdrawals from client account have been satisfied. Where the book transfer relates to a loan from one client to another, it is strongly recommended that the written authority of both the lender and borrower are obtained and that the terms of the loan are stated in such authority.

#### **4.7) BOOKS OF ACCOUNT (RULE 11)**

Rule 11 states how the books of account of solicitors must be kept. Some of the key elements are detailed below.

##### **i) Record of all dealings**

- a) Rule 11(1) requires a solicitor to keep proper cash books, ledgers, journals and such other books as necessary written up in the English language which show all his dealings with client's money, conveyancing money and any other money dealt with by him through a client account.

In this respect, cheques made out to third parties which are received by the solicitor and sent on to third parties should also be recorded. Since these cheques would not be deposited in a bank by the solicitor and the solicitor has no control over and cannot manipulate the money, it need not be recorded in the Cash Book or Client Ledger. However, a record of the

receipt and dispatch of the cheque should be made on the client file. Also, cheques or drafts made payable to bearer or to the solicitor himself which are indorsed over to third parties and therefore do not pass through a client bank account should still be recorded in a client cashbook, ledger and transfer journals.

- b) Rule 11(1) also requires that a record of transactions on behalf of individual clients be maintained.
- c) Under Rule 11(2) all dealings with client's money should be recorded in a client Cash Book, Client's Ledger and for record of transfers from one Client's Ledger account to another to be noted in a journal. Therefore, where there are transfers from one client's ledger account to another client's ledger account it would not be sufficient to make the necessary entries only in the clients' ledger. A journal should also be maintained to record such transfers.
- d) In addition to the books, ledgers and records referred to above, a solicitor must maintain a record of all bills of costs (distinguishing between profit costs and disbursements) and other written intimations of costs delivered to his clients. Such record may be contained in a bills delivered book or in a file of copies of bills and written intimations.

## **ii) Bank Reconciliation Statements**

Rule 11(4) requires the solicitor within one month of commencing practice on his own account (either alone or in a group practice) and thereafter not less than once in every succeeding month to reconcile the balance on his clients' Cash Book with his client account bank statements. A solicitor must retain a reconciliation statement which shall be kept in the cash book or other appropriate place to show the reconciliation.

## **iii) Retention of Books of Account and Records**

It is the responsibility of a solicitor to ensure that his books of account and supporting records are preserved for at least six years. In this connection particular attention should be given to bank statements.

## **iv) Engagement of a Book Keeper**

Under Rule 11(8) a solicitor may engage a book-keeper to keep his accounts properly written up and reconciled.

### **4.7A) ENGAGEMENT OF BOOK-KEEPER (RULE 11A)**

Any engagement of a book-keeper for the purpose of Rule 11(8) must be preceded by obtaining the written approval of the Council. Members are reminded to submit their applications to Council by writing to the Law Society (Compliance Department) **before** the engagement of a book-keeper.

- i) Statutory Declaration required for approval to engage a book-keeper

Rule 11A provides details on the form of the application which shall be accompanied by a statutory declaration by the sole proprietor or managing partner or managing director, as the case may be, of

the accounting firm verifying the independence of the accounting firm i.e. not an immediate family member of the solicitor, professional qualifications of the book-keeper and undertaking to inform Council if there are issues with the accounts or changes in the matters referred to with regards to the independence of the accounting firm.

Council may refuse to grant approval for the law practice to engage the book-keeper if in the opinion of Council the book-keeper does not possess the necessary professional qualifications or relevant experience to carry out his duties, or if the book-keeper or other relevant person (where the book-keeper is a firm or body corporate) is unlikely to act independently of the solicitor.

ii) Statutory Declaration required by book-keeper annually

The book-keeper engaged for the purpose of Rule 11(8) must provide a statutory declaration annually to inform Council whether:

- a) the book-keeper is unable to reconcile the balance in the client's cash book (or client's column in the cash book) with the bank statements for all or any of the solicitor's client accounts, conveyancing accounts and or conveyancing (CPF) accounts in any month;
- b) the book-keeper is unable to properly write up the books and accounts as required by rule 11;
- c) the solicitor has received, held or authorized the withdrawal of client's conveyancing money in contravention of the applicable provisions of the SAR or Conveyancing Rules, or both;
- d) the solicitor has failed to respond to such query from the book-keeper as is necessary to enable the book-keeper to carry out his duties referred to in sub-paragraphs (a), (b) or (c).

iii) Disqualification of book-keeper

Where a disciplinary order has been made by the Public Accountants Oversight Committee against the book-keeper or the firm/body corporate appointed or where Council is satisfied that there have been breaches by the book-keeper (or the firm/ body corporate appointed) in relation to the professional qualifications, independence or reporting and undertaking obligations as required and specified under the SAR, Council may give notice of the disqualification of the book-keeper for the purpose of rule 11(8) or for the purpose of the provision of the accountant's report under the Legal Profession (Accountant's Report) Rules (the accountant's report). Upon receipt of such notice, the book-keeper shall not be engaged as a book-keeper for the purpose of rule (8) and shall not be qualified to provide the accountant's report.

#### **4.8) POWERS OF THE LAW SOCIETY TO INSPECT ACCOUNTS (RULE 12)**

The Council of the Law Society has power to order the inspection of any books of accounts, statements and any other necessary documents in order to ascertain whether the SAR has been observed. An inspection carried out under this rule overrides any confidence or privilege between solicitor and client. It is not the practice of the Council to disclose to the solicitor the reason for instituting an inspection.

#### **4.9) INTIMATION OF COSTS INCURRED (RULE 13)**

A written intimation to the client of the solicitor's costs incurred and notice to the client that the money held in the client's account will be applied to settle those costs may be delivered to the client in the same manner as a bill of costs is required to be delivered under section 118 of the Legal Profession Act.

#### **4.10) COMMUNICATION BY COUNCIL TO SOLICITORS (RULE 14)**

Notice by Council to a solicitor of every requirement under the SAR shall be made in writing to the solicitor under the hand of the Director or a member of the Council designated by Council and may be served by sending it to the solicitor by registered post to his usual or last known address.

#### **4.10A) COMMUNICATION BY COUNCIL TO BOOK- KEEPERS (RULE 14A)**

Notice by Council to a book-keeper of every requirement under the SAR shall be made in writing to the book-keeper under the hand of the Director or a member of the Council designated by Council and may be served by sending it to the book-keeper by registered post to the address provided to the Council or as appears in the Register of Public Accountants or other relevant register.

#### **4.11) SAVING (Rule 15)**

Nothing in the SAR shall deprive a solicitor of any recourse or right, whether by way of lien, set-off, counterclaim, charge or otherwise, against moneys standing to the credit of a client account.

#### **4.12) POWER TO WAIVE PROVISIONS (RULE 16)**

The Council may, if it thinks fit in a particular case, waive the provisions of the SAR, in writing, subject to such terms and conditions as the Council may impose.

#### **4.13) TRANSITIONAL AND SAVINGS PROVISIONS FOR CONVEYANCING MONEY OR ANTICIPATORY CONVEYANCING MONEY DEPOSITED INTO THE CLIENT ACCOUNT BEFORE 1ST AUGUST 2011 (RULE 17)**

Rule 17(1) permits the holding of conveyancing money or anticipatory conveyancing money that was deposited into the client account prior to 1st August 2011 and

- a) is unclaimed conveyancing money (i.e. the solicitor is unable to ascertain whether the person to be paid exists or his address or the person to be paid has not accepted the money tendered or encashed the cheque or despite making reasonable efforts, the solicitor is unable to tender the money to that person) – until the money is drawn from the client account; or
- b) in any other case, for a period of 5 months beginning on 1st August 2011.



# Chapter 5

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## ***LEGAL PROFESSION (SOLICITORS' TRUST ACCOUNTS) RULES***

The object of the Legal Profession (Solicitors' Trust Account) Rules (the Trust Account Rules) is to ensure the fair treatment of trust money and to maintain adequate book-keeping and recording systems. Compliance with the Trust Accounts Rules will ensure that a solicitor separates trust money and his own.

The full text of these rules appears in Appendix [●V]. These rules require that where a solicitor-trustee (defined as a solicitor who is the sole trustee or co-trustee only with one or more of his partners or employees) holds or receives trust money subject to a trust of which he is a solicitor-trustee, that money is to be paid into a separate trust account for the particular trust, unless it is paid into the client account in the circumstances in which that is permitted by Rule 4 of the SAR (see paragraph [●4.3 (ii)] above).

The rules as to payments into and withdrawals from the trust account correspond closely with those for the client account in the SAR. The notes to this Guide (see paragraph 4 above) applicable to client's money are thus equally applicable to trust money in the Trust Accounts Rules.

# Chapter 6

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## ***LEGAL PROFESSION (ACCOUNTANT'S REPORT) RULES***

### **6.1) GENERAL**

Every solicitor who holds or receives client's money or conveyancing money must have an annual report by an accountant on his compliance with the SAR. The report must cover a period of not less than twelve months beginning at the expiry of the last accounting period for which a report has been delivered. A report must be given in respect of each partner/director in practice. A report must also be given for every salaried partner/associate director whose name appears on the letterhead of the firm.

The Accountant's Report Rules prescribe the qualifications of the Accountant who may give such a report, set out the nature of the accountant's examination and provide the conditions for the exceptions where delivery of an accountant's report is unnecessary. The full text of these rules appears in Appendix VI.

### **6.2) QUALIFICATIONS OF ACCOUNTANT**

Rule 3 sets out the qualifications required by an accountant competent to give an accountant's report. He must not be a partner or employee of the solicitor and must not have been disqualified by the Council of The Law Society.

The Council may at its discretion notify an accountant that he is not qualified to give an accountant's report where either:

- i) The accountant has been found guilty of professional misconduct or discreditable conduct by the disciplinary tribunal of his professional body; or
- ii) The Council is satisfied that a solicitor has not complied with the SAR in respect of matters not specified in the accountant's report and that the accountant was negligent in giving such a report.

The Council may upon application by the accountant remove the disqualification. It will be open to the Council to consult with the accountant's professional body.

### **6.3) NATURE OF ACCOUNTANT'S EXAMINATION (RULE 4)**

Rule 4 sets out in detail the nature of the accountant's examination for the purposes of submitting an accountant's report. The Accountant's Report Rules do not require a complete audit of the solicitor's accounts nor do they require the preparation of a profit and loss account or a balance sheet. In accordance with the Accountant's Report Rules, the duties of an accountant include examining the solicitor's book-keeping system and making certain test checks and examinations to ascertain if the SAR have been complied with. If it appears to the accountant that there is evidence the SAR have not been complied with, the accountant is required to make such further examination as may be necessary in order to complete his report.

Rule 4 (1)(f) requires an accountant to extract or check extractions of balances on the clients' ledger accounts during the accounting period at no fewer than two dates selected by the accountant one of which may be the last day of the accounting period. At each such date the accountant must compare the total liabilities to clients shown by the ledger accounts with the Cash Book balance on every client account, conveyancing account, conveyancing (CPF) account (if any), and clients' fixed deposit accounts and reconcile that Cash Book balance with the client account balance and fixed deposit balances confirmed direct to the accountant by the bank(s).

In the situation where a solicitor partner/director leaves a firm to join another firm, he is required to obtain an accountant's report from both firms to cover a twelve-month period. As a result of this, he will require two dates of comparison from each firm pursuant to Rule 4 (1) (f) on his Accountant's Reports.

If a solicitor makes a payment on behalf of a client in excess of the amount held on that client account, a debit balance would result which is a breach of the rules. It has been noted that for the purposes of making the comparisons under Rule 4 (1) (f) some accountants improperly use credits of one client against debits of another when checking total clients' liabilities, and not recognizing a shortage. A debit balance on a client account when no funds are held for that client must be disclosed. Also, for purposes of the comparison, balances on clients' ledger accounts must include undrawn costs (see paragraph 4.4 (iv) above).

### **6.4) CLIENT'S PRIVILEGE (RULE 5)**

A solicitor may decline to produce to the accountant any document which the accountant may consider necessary for him to inspect on the ground of privilege as between the solicitor and client. In these circumstances, the accountant will qualify his report to that effect, setting out the circumstances. When such a qualified report is received by the Council, the solicitor will normally be approached for clarification.

## **6.5) CASES WHERE DELIVERY OF AN ACCOUNTANT'S REPORT IS UNNECESSARY (RULE 7)**

Rule 7 of the Accountant's Report Rules prescribes certain cases where the delivery of an accountant's report is unnecessary. Such cases would include:

- i) Where the solicitor does not hold a current practising certificate because he has never held a practising certificate or having held one had delivered an accountant's report covering the accountant period up to the date upon which he ceased to practise and to hold or receive client's money or conveyancing money; or
- ii) Where the solicitor holds a current practicing certificate:
  - a) For the first time; or
  - b) For the first time after having for twelve months or more ceased to do so; or
  - c) He has satisfied the Council that the SAR are not applicable to him because he is only an employee of a law practice and has not been held out to the public as a partner/director of a law practice or held or received client's money or conveyancing money.
- iii) In the case of a law practice that does not hold any client's money or conveyancing money, the sole proprietor, partner or director of that law practice should submit a statutory declaration to the Council of The Law Society confirming this in order to apply for an exemption from producing an accountant's report.

## **6.6) EXCEPTIONS TO THE REPORT COVERING A TWELVE-MONTH PERIOD**

A solicitor may come under an obligation to deliver an accountant's report when he first goes into practice or when he no longer satisfies the conditions under paragraph 6.5 for an exemption. Such a report may cover an accounting period of less than twelve months. In the case of a solicitor who first goes into practice, his report shall have the accounting period commence on the date upon which he first held or received clients' money or conveyancing money. In the case of a solicitor who no longer satisfies the conditions for an exemption, his report shall have the accounting period commence on the date upon which he again started to hold or receive clients' money or conveyancing money.

When a solicitor retires from practice, he is obliged to deliver a report covering the period up to the date on which he ceased to hold client's money or conveyancing money which may be a period of less than twelve months.

A solicitor who has ceased to be a member of a firm of solicitors may have a report covering an accounting period of less than twelve months.

## **6.7) TRIVIAL BREACHES**

In many practices, clerical and book-keeping errors of one sort or another will arise. In the majority of cases these may be classified by the reporting accountant as trivial breaches and will not be called

for further comment. However, it should be noted that a 'trivial breach' cannot be precisely defined. The amount involved, nature of the breach and the time outstanding before correction are all factors which should be considered by the accountant before deciding whether a breach is trivial. Solicitors may be approached for clarification by the Council if a qualified report is received.

#### **6.8) WARNING**

The issue of an unqualified accountant's report by the firm's accountant does not relieve the solicitor from his separate ethical duty to report a breach of the SAR to the Law Society.

# Chapter 7

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## ***LEGAL PROFESSION (DEPOSIT INTEREST) RULES***

### **7.1) AIM OF THE RULES**

The aim of the Legal Profession (Deposit Interest) Rules (the Deposit Interest Rules) is to set out the circumstances in which a client should receive interest on money held by a solicitor on his behalf. The full text of these rules appears in Appendix [●VII].

### **7.2) PAYMENT OF INTEREST**

Rule 2(1) provides that where a solicitor holds money for a client which exceeds \$20,000 at the time of receipt and he knows at that time that the sum will not be reduced below \$20,000 within a period of 4 months thereafter, the solicitor must either:

- i) deposit the money in a separate fixed deposit account in the name of the solicitor and the client or the matter concerned and account to the client for the interest earned on it; or
- ii) pay the client out of his own money a sum equivalent to the interest which the client would have earned had the money been deposited in a fixed deposit account.

For amounts received which are above \$5,000 but not more than \$20,000 and it is known at the time of receipt that the money will not be utilised within a period of 4 months, members may, under Rule 2(2) still opt to place the money in a fixed deposit account but it will not be mandatory to do so. If a solicitor chooses to place any such money on fixed deposit he must account to the client for the interest earned.

*(wef 01/12/2015)*

### **7.3) INTEREST FROM GENERAL DEPOSIT ACCOUNT**

A solicitor is entitled to retain interest on client's money placed in a general client deposit account. However, in such cases he should instruct his bank to either credit such interest direct to an office

or personal account or to send him a cheque for the amount of interest.

If for any reasons such instructions are not complied with, arrangements must be made immediately for such interest to be removed from the client account. It therefore follows that the practice of “rolling over” a general deposit (i.e. where the interest earned is added to the original deposit and the aggregate amount is deposited at interest) is not allowed by the rules. This is because the interest is money to which the only person entitled is the solicitor and therefore rolling over the principal plus interest is mixing clients’ and office moneys.

#### **7.4) STAKEHOLDER’S FUNDS**

Money held by a solicitor as stakeholder is client’s money and must be paid into client account. However, as the money does not belong to either of the parties involved, interest earned on such funds is normally retained by the solicitor unless it is agreed that the interest arising goes to either party. The practice of “rolling over” stakeholder’s funds together with interest is not allowed for the same reasons explained in paragraph 7.3.

#### **7.5) DEPOSIT INTEREST CERTIFICATE FROM THE LAW SOCIETY (RULE 3)**

Any client is entitled to apply to the Council of The Law Society for a certificate stating whether interest ought to have been earned under these rules and if so, the amount of the interest payable. On issue of such certificate, such sums as mentioned therein shall be payable by the solicitor to the client. In the case of joint clients, it is sufficient if one client applies for a deposit interest certificate, whether or not the other client(s) agrees. This applies even if the clients are separately represented, e.g. in a matrimonial dispute but one solicitor acts for both parties on a sale of property.

#### **7.6) CONTRACTING OUT (RULE 4)**

The Deposit Interest Rules do not deprive a solicitor or his client of the right to come to an arrangement in writing as to the application of the client’s money or interest thereon.

#### **7.7) EXCEPTIONS - THE SOLICITOR WHO IS A TRUSTEE AND CONVEYANCING MONEY (RULE 4)**

- i) The Deposit Interest Rules specifically exclude ‘trust money’. Trust money for this purpose means money received by a solicitor of which he is a trustee (whether or not he is a solicitor trustee) for the purpose of the Trust Account Rules. Trustee in this context also includes a personal representative. The general law precludes a solicitor who is a trustee from obtaining any benefit from his trust without express authority. This would include the benefit of receiving interest on trust money.
- ii) Consequently, a solicitor must ensure that funds held in the client account in respect of matters in which he is a trustee are removed before any portion of the account is placed on a general deposit account.
- iii) The Deposit Interest Rules also specifically exclude “conveyancing money” as defined in rule 2(2) of the Law of Property (Conveyancing) Rules 2011.

# Chapter 8

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## ***INTERNAL CONTROLS OR SAFEGUARDS***

The internal control system of a law practice refers to its whole system of controls, financial and otherwise. It is established by the sole proprietor, partner(s) or director(s) in order to:

- i) carry out its business in an orderly and efficient manner;
- ii) ensure adherence to management policies;
- iii) safeguard the law practice's assets; and
- iv) secure, as far as possible, the completeness and accuracy of the law practice's records.

The individual components of the internal control systems are known as 'controls' or 'internal controls'.

Basically, internal controls are checking procedures. There are two aspects to them. The first is where the work of one person is checked by another. The second relates to the segregation of duties. Perpetration of fraud is relatively easy if all the various functions in an office are within the control of one person. A law practice may contemplate allocating the various duties to different people in order to reduce the possibility of fraud.

Ensuring adequate segregation of duties may be a challenge for small law practices with only a few employees. Fraud can also be perpetrated because the partners or directors of a law practice rely on legal assistants and accounting staff without adequate or proper supervision. In such situations, it is vital for a solicitor to adequately supervise and monitor the work of his staff.

In addition to a good system of internal controls, there are other safeguards to ensure compliance with the SAR and proper book-keeping. These are discussed in the following pages.



## 8.1) RECONCILIATION STATEMENTS

Reconciliation statements are a part of book-keeping. These statements reconcile the records of the law practice with those received from third parties. Due to a host of reasons, the records of a law practice may not be in total agreement with those received from third parties. The reconciliation statements highlight these differences. This gives the solicitor an opportunity to obtain explanations for the differences and ensure that the explanations are satisfactory. In a solicitor's practice the most common reconciliations carried out are bank reconciliations (which must be carried out on a monthly basis), clients' ledger account reconciliations and bills ledger reconciliations.

### i) Bank Reconciliations

Under the SAR, a solicitor is required to carry out a reconciliation of his client accounts with their respective bank statements once a month. A bank reconciliation reconciles the balance in the solicitor's Cash Book with the balance in the bank statement. A bank reconciliation statement should only show outstanding deposits (i.e. amounts received but have yet to be banked in) and unpresented cheques (i.e. payments made by cheques which have yet to be cleared through the banking system). Any other items are indications of either transactions which have not been recorded in the law practice's books or bank statement or errors in book-keeping which require investigation. Some typical errors which are detected from preparing bank reconciliation statements include the following:-

#### a) Unauthorised deduction of bank charges

In practice, a bank should be given instructions to deduct, from the office account, bank charges for operating all accounts. Unfortunately, at times, banks inadvertently overlook this instruction and make unauthorized deductions from the client or trust account.

When this occurs, a request should be made to the bank to reverse the deduction or to have the deduction accepted and have the client or trust account "topped up" by paying in from the office account to cover the deduction. A request can be made thereafter for a fresh bank statement reflecting the reversal or "topping up" as the case may be.

#### b) Dishonoured cheques

Occasionally, a cheque received from a client may be dishonoured. The notice of dishonour may come several days after the cheque has been deposited.

The solicitor should ensure that no withdrawals are made on the client or trust account until the cheques deposited to meet those withdrawals have been cleared. The bank will advise on the amount of time needed to clear the cheques from different locations. Alternatively, a special clearance can be requested from the bank. A special clearance expedites clearance and the bank will notify the solicitor when the cheque has been met on presentation. It is recommended that when asking for payment from the client, the lawyer requests for advance payment or for a cashier's cheque or bank transfer. No special clearance is needed then.

#### c) Cancelled cheques

If an office, client or trust account cheque has to be cancelled, the bank will have to allow this

before the cheque has been presented for payment. Once the cheque has been presented and honoured, it cannot be cancelled.

It is possible to purchase a cashier's cheque from the bank which is guaranteed by the bank. These are frequently used by solicitors for conveyancing completions and court settlements.

Where a cashier's cheque is lost, the bank may refuse to issue a new cheque until 12 months have elapsed. Accordingly, client and trust funds should only be transferred over long distances by:

- 1) posting an ordinary client or trust cheque;
- 2) using a bank transfer to client's account - this transfer may be expedited; or
- 3) using bank drafts for overseas payments.

**d) Mixing office, client and trust accounting records**

This should be an unusual occurrence. It is good practice to make office, client and trust accounting records clearly distinguishable to reduce the possibility of error. For example, in manual systems records and documents can be colour-coded.

If this error occurs, preservation of the client and trust account is paramount. If necessary, the solicitor should transfer his own funds to remedy the error.

**ii) Client Ledger Reconciliations**

The Client Ledger is maintained to record details of transactions with individual clients. A solicitor should (at least quarterly, but preferably monthly) draw up a statement agreeing the total liabilities to clients (extracted from the balances shown on clients' ledger accounts) with the funds available in the clients' bank account and fixed deposit accounts. This would help to ensure that all transactions with clients have been properly recorded and also highlight possibilities of any fraud having taken place if the total cash balance is not in agreement with the sum in the individual client's balances.

**iii) Bills Ledger Reconciliations**

The Bills Ledger (or bills delivered book, as specified in the SAR) is maintained to record all the solicitor's billings to his clients and receipts in respect of such bills. The detailed ledger should be tallied with the total shown in the law practice's ledger at least once every quarter, but preferably at monthly intervals. This would help to ensure that there are no mispostings between the Bills Ledger and Clients' Ledger.

**8.2) CHEQUE PAYMENTS**

As far as possible, payment to, or on behalf of, a client should be made by means of a crossed cheque. In order to protect clients' funds against misappropriation, it is strongly recommended that the space after the payees' name is deleted.

### **8.3) CASH CHEQUES**

It is not advisable for a solicitor to issue cash cheques from the office account, though there is no specific rule prohibiting this practice. As a matter of good accounting practice, cheques should always be made out to a named payee and restrictively crossed.

### **8.4) SLUSH FUNDS**

The SAR allows a solicitor to deposit his own funds in the client account or trust account for the purpose of opening and maintaining that account. Some law practices 'maintain' their accounts by keeping a residual 'slush fund' in the client or trust account to meet bank charges and other withdrawals. This practice is not permitted by the SAR as it amounts to the solicitor mixing his own money with client's money.

# Chapter 9

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## ***CONSEQUENCES OF NON-COMPLIANCE WITH THE SAR***

### **9.1) GENERAL CONSEQUENCE - DISCIPLINARY ACTION**

Pursuant to Section 72 and Section 73 of the LPA, the Council is required to make rules as to the keeping of accounts by solicitors.

Section 72(4) and Section 73(7) of the LPA provide expressly that if a solicitor fails to comply with the sections or any of the rules made thereunder the solicitor may be liable to disciplinary proceedings.

### **9.2) INTERVENTION - WHERE SOLICITOR FAILS TO COMPLY WITH SAR**

In addition to any disciplinary action the Council may exercise its power of intervention (under Part 1 paragraph 1(c) of the Schedule of the LPA) when it is satisfied that a solicitor failed to comply with any rules made under Section 72 of the LPA, such as the SAR, Trust Accounts and Deposit Interest Rules.

The Council's powers following Intervention involve primarily various steps that Council can take to safeguard clients' money. Typically Council would pass a resolution to freeze the bank account of the solicitor or his law practice and the relevant bank(s) will be instructed to stop payment of all such cheques issued as well as future cheques that may be issued. Intervention effectively strips a solicitor of his powers to sign cheques and to manage his bank account(s).

The situations that can result in Council exercising its powers of Intervention are therefore generally 'fault based' and arise when there is some wrongdoing e.g. a lawyer abandons his practice, is committed to prison etc. In some cases, however, there only needs to be a suspicion of wrong doing. SAR breach situations fall under the latter category and Council needs to be satisfied that the SAR has not been complied with in order to exercise its powers of Intervention.

The Society is required to give the solicitor notice in writing stating that the Council is satisfied that he failed to comply with the rules and specifying the rule(s) which he had failed to comply with.

This notice may at the same time or at any later time be accompanied by a notice that the Council has resolved to exercise its powers conferred by Part II of the Schedule.

Under Part II of the Schedule, the Society may obtain a High Court order that no payment of any money held by any person on behalf of the solicitor or his firm be made without the leave of the Court.

The Council may pass a resolution to vest the Society with all sums of money held by or on behalf of the solicitor or his firm in connection with his practice and/ or any sums of money in any client account or any trust of which the solicitor is a trustee to exercise in relation to them the powers conferred by Part II and subject thereto upon trust for persons beneficially entitled to them.

By such a resolution the Society in effect ‘freezes’ the bank accounts of the solicitor’s practice and usually steps will be taken by the Society to immediately appoint an agent namely the Society’s investigating accountants to examine the accounts so that clients’ monies in particular may be dealt with.

Under paragraph 13 of the Schedule, the Society is also entitled to give notice to the solicitor or his firm to produce or deliver documents in connection with his practice or any controlled trust. Alternatively the Society may make an application to Court for production or delivery of the documents. In such an application the Court may also under paragraph 13 (6) of the Schedule make an order authorizing a person appointed by the Law Society to enter any premise to take any document relating to the order.

It should be noted that under paragraph 16 of the Schedule the Society is entitled to look towards the solicitor for any costs incurred for the purposes of the exercise of the powers under the Schedule.

If any person who is given notice of the intervention makes any payment out of clients’ money he is liable to conviction to a fine not exceeding \$5,000.

### **9.3) CANCELLATION OF A PRACTISING CERTIFICATE**

The Council may make an application to Court for an order directing the Registrar to cancel a practising certificate on the basis that it was obtained contrary to the provisions of the LPA or that the accountant’s report submitted to Council did not comply with Section 73<sup>3</sup> of the LPA.

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<sup>3</sup> Under Section 73 an Accountant’s report certifies that upon an examination of the books, accounts and other relevant documents of the solicitor as described in Rule 4(1) of the Accountant’s Report Rules, the accountant is satisfied that the solicitor complied with the SAR.

# Chapter 10

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## ***CONCLUSION***

Other than the fact that solicitors in practice must comply with an additional regime or rules relating to accounting imposed on them by the SAR and Legal Profession (Accountant's Report) Rules (collectively called 'these Rules'), the accounting system of a legal practice is not substantially different from that of any other professional practice. If all practising solicitors are familiar with these Rules and ensure that all law practices put in place properly run accounting systems, there should be no occasion for a practising solicitor to fall foul of these Rules.

It is hoped that this updated Guide will provide useful assistance to members in managing client's money and ensuring compliance with these Rules for a happy and rewarding practice.

# Appendices

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## ***LEGAL ACCOUNTING SYSTEMS & RECORDS***

**TABLE 1****Client Account & Trust Account Systems**

Records that a solicitor must / should keep

<b>Accounting Record</b>	<b>Client Account System</b>	<b>Trust Account System</b>
Receipts Cash Book	<b>Mandatory</b>	<b>Mandatory</b>
Payments Cash Book	<b>Mandatory</b>	<b>Mandatory</b>
General Ledger	<b>Mandatory</b>	<b>Mandatory</b>
Journal	<b>Mandatory</b>	<b>Mandatory</b>
Cheque book	<b>Mandatory</b>	<b>Mandatory</b>
Client's Ledger	<b>Mandatory</b>	<b>Mandatory</b>
Bank account	<b>Mandatory</b>	<b>Mandatory</b>
Reconciliation statements	<b>Mandatory</b>	Desirable
	- Quarterly	
Bank statements	<b>Mandatory</b>	Desirable
	- Quarterly	
Copies of bills rendered & written intimations where amounts deducted from client or trust account for costs	<b>Mandatory</b>	<b>Mandatory</b>
Record of all dealings with clients' money	<b>Mandatory</b>	<b>Mandatory</b>
Receipt book	Desirable	Desirable
Bank deposit slips	Desirable	Desirable
Register of receipt books	Desirable	Desirable
Requisition slips	Desirable	Desirable
Vouchers	Desirable	Desirable
Trial balance	Desirable	Desirable



## ***LEGAL ACCOUNTING SYSTEMS & RECORDS***

**TABLE 2****Office Account System**

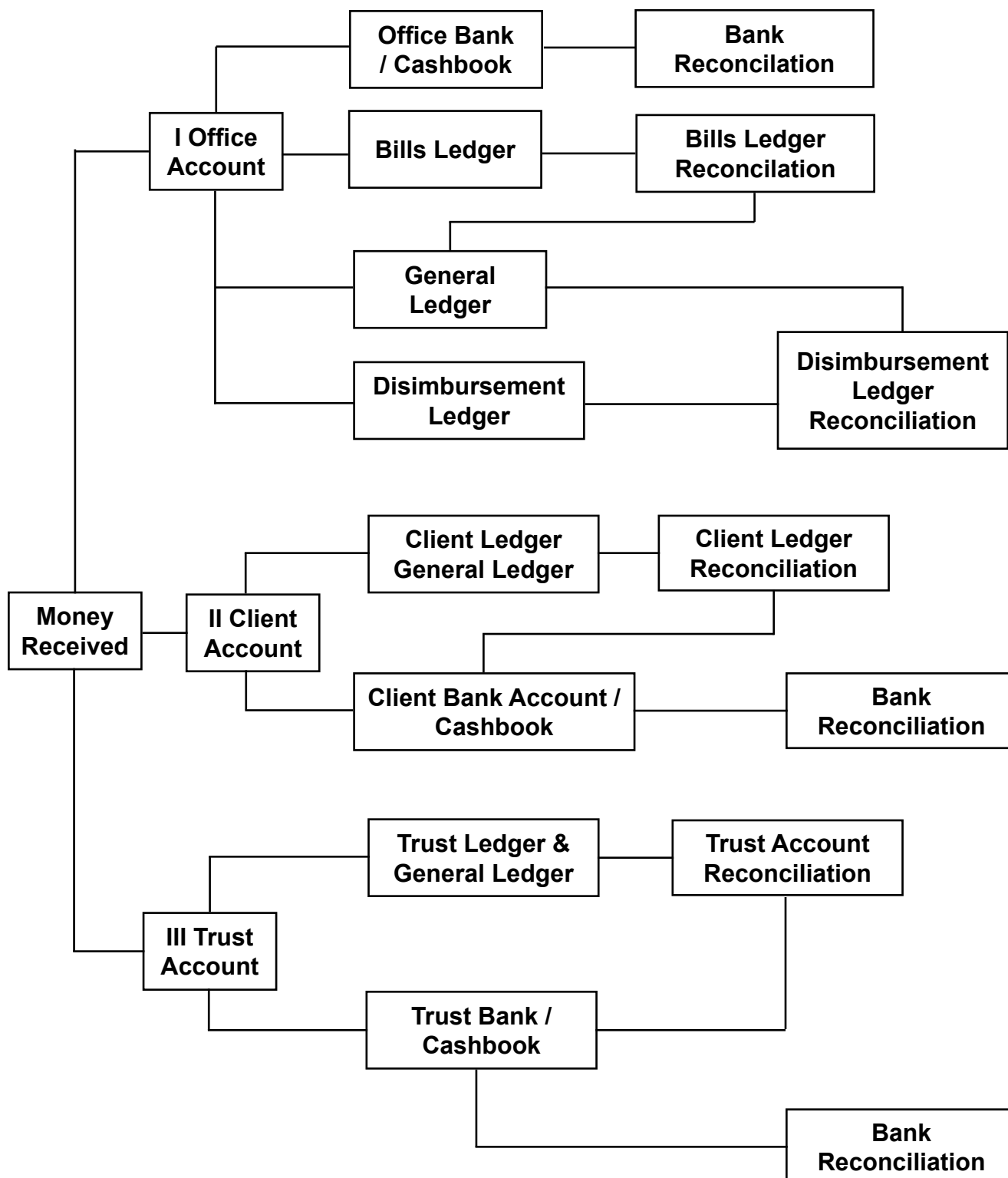
Records that a solicitor must / should keep

<b>Accounting Record</b>	<b>Office Account System</b>
Cheque book	Desirable *
Bank deposit book	Desirable
Receipt book	Desirable *
Register of receipt books	Desirable
Requisition slips	Desirable
Vouchers	Desirable
Bank Account	Desirable *
Receipts Cash Book	Desirable *
Payments Cash Book	Desirable *
Petty cash book	Desirable *
Bills delivered book	<b>Mandatory</b>
Purchases journal	Desirable
General Ledger	Desirable *
Bills Ledger	Desirable *
Creditors ledger	Desirable
Reconciliation statements	Desirable *
Bank statements	Desirable *
Trial balance	Desirable *
Balance Sheet	Desirable
Profit & Loss statement	Desirable
Cash flow budget	Desirable
Debtors analysis	Desirable
General journal	Desirable *
Copies of bills rendered and written intimations where accounts are deducted from client or trust account for costs	<b>Mandatory</b>
Time recording	Desirable

(Item marked “\*” are the minimum records recommended to be kept by the solicitor in respect of his office accounting system.)

**TABLE I**

Chart showing the flow of receipt transactions  
(Office, client and trust accounts) and appropriate reconciliations:

**FLOW OF RECEIPT TRANSACTIONS**

**On receipt of moneys the solicitor has to decide on the depositing of moneys based on the following criteria:**

<b>I - Office Account</b>	<b>II - Client Account</b>	<b>III - Trust Account</b>
a) Money in payment of a debt due to solicitor.	a) Client's money .	a) Trust money subject to a particular trust.
b) Money paid as reimbursement for disbursements incurred by solicitor. <sup>4</sup>	b) Trust money.	b) Money to open or maintain the account.
c) Money paid in respect of bill rendered.	c) Money to open or maintain a bank account.	c) Money to replace any sum drawn in contravention of the Rules.
d) Money paid as an agreed fee.	d) Money to replace any sum withdrawn from the account in contravention of the Rules.	
e) Interest on general deposit account.	e) Cheque or draft consisting of both client's money and non-client money.	
f) Money to which the solicitor or partner(s) alone are entitled.		

<sup>4</sup> The definition of client's money includes money held by a solicitor on account of a person for whom he is acting (in relation to the holding or receipt of such money) either as a solicitor, an agent, a bailee or a stakeholder or in any other capacity, other than-

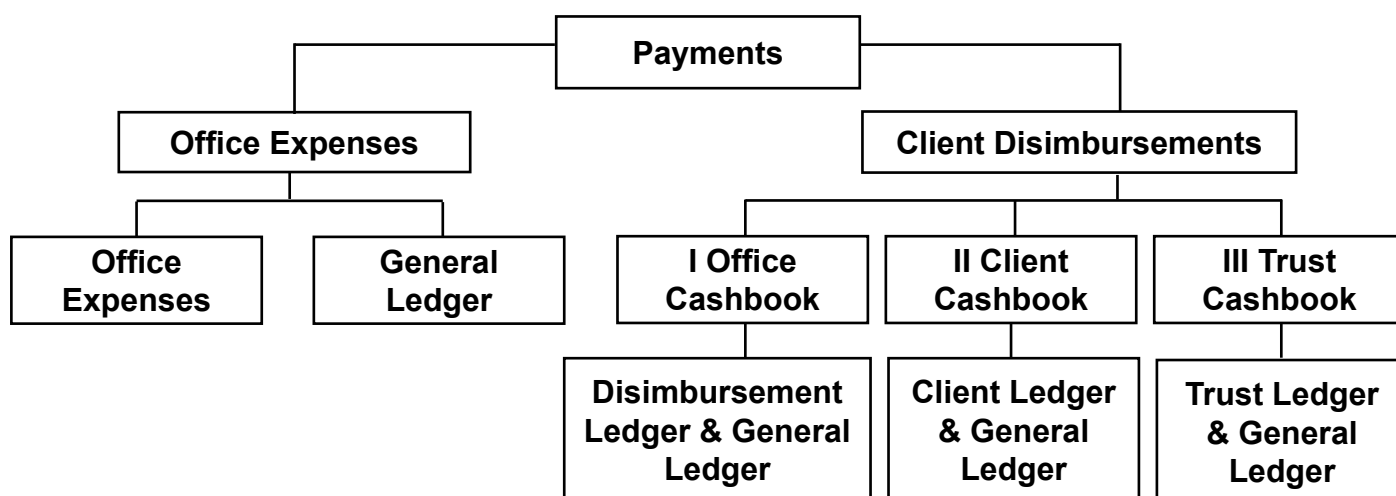
- (a) money held or received on account of the trustees of a trust of which the solicitor is solicitor-trustee;
- (b) money to which the only person entitled is the solicitor himself or, in the case of a firm of solicitors, one or more of the partners in the firm; or
- (c) conveyancing money<sup>4</sup> or anticipatory conveyancing money<sup>4</sup>.

In respect of conveyancing money, members can obtain information on the key changes in the conveyancing regime at [www.mlaw.gov.sg/conveyancing](http://www.mlaw.gov.sg/conveyancing) and access the Practice Directions / Guidance Notes relating to conveyancing money from the Member's Resource Library of the Law Society's website <http://www.lawsociety.org.sg/forMembers/ResourceCentre/MembersLibrary.aspx>.

**TABLE II**

Chart showing the flow of payment transactions (office, client and trust accounts):

### FLOW OF PAYMENT TRANSACTIONS



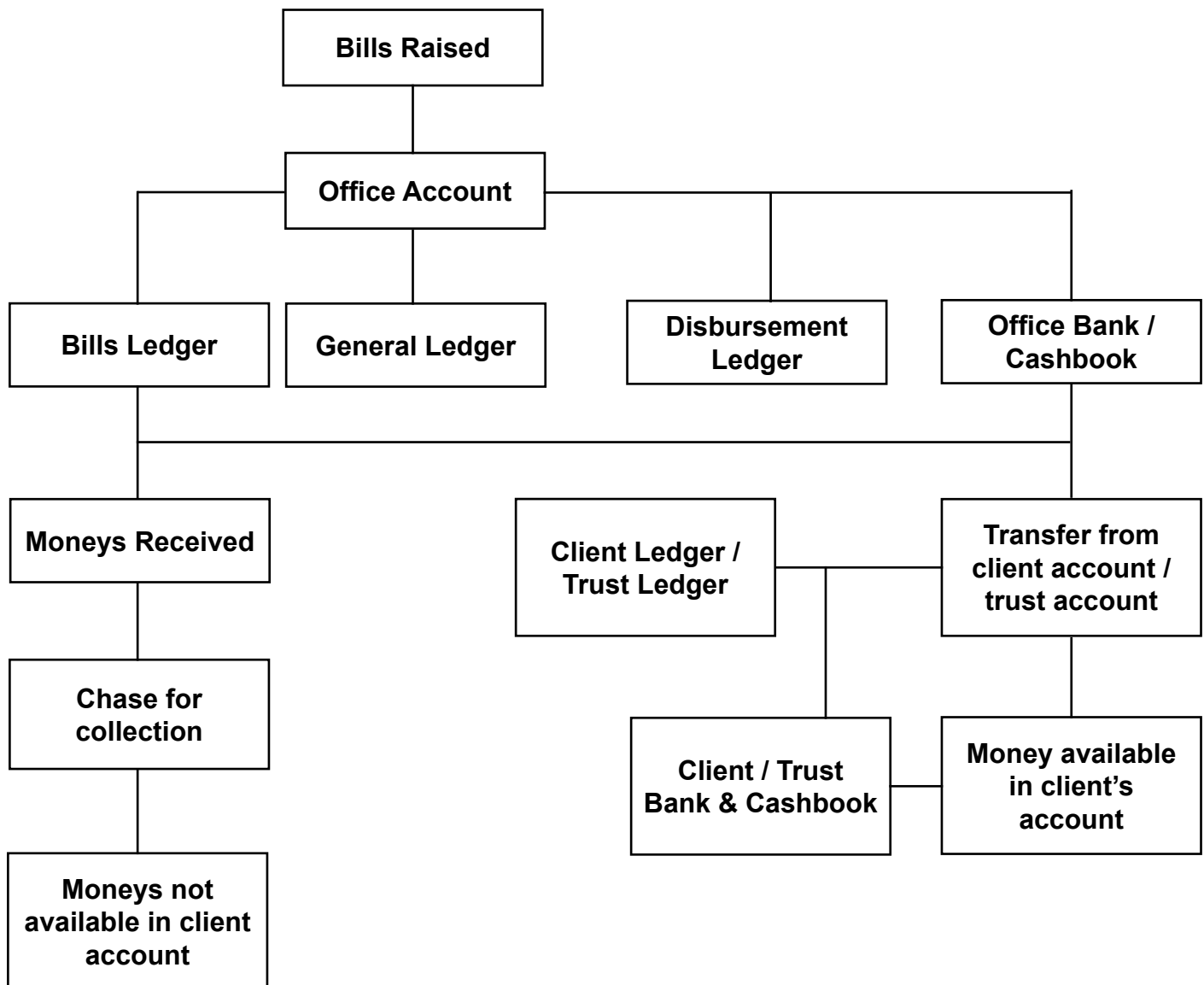
On making payments the solicitor will decide from which account money will be withdrawn based on the following criteria:

<b>I - Office Account</b>	<b>II - Client Account</b>	<b>III - Trust Account</b>
a) Payment on behalf of the client when there are insufficient funds in the client account.	a) Payments to or on behalf of the client when there are sufficient funds in the client account.	a) Payment in execution of the particular trust.
b) Advance payment on behalf of client.	b) Payment of a debt due to a solicitor.	b) Money to be transferred to a client account.
	c) Payment to reimburse the solicitor for disbursements made out of the office account.	c) Money belonging to solicitor which was deposited for purpose of opening / maintaining the account.
	d) Withdrawals on instructions of clients.	d) Money previously deposited in contravention of the Rules.
	e) Payment of solicitors costs where bills have been rendered and client informed accordingly.	
	f) Money transferred between two clients	
	g) Money paid in error into the client account.	
	h) Money not belonging to client which formed part of draft consisting of client money.	
	i) Money belonging to solicitor which has been placed in account to open / maintain account.	

**TABLE III**

The solicitors billing process involves both the raising of bills and the sequent follow-up for collection. The flow of transactions in the billing process is shown below:

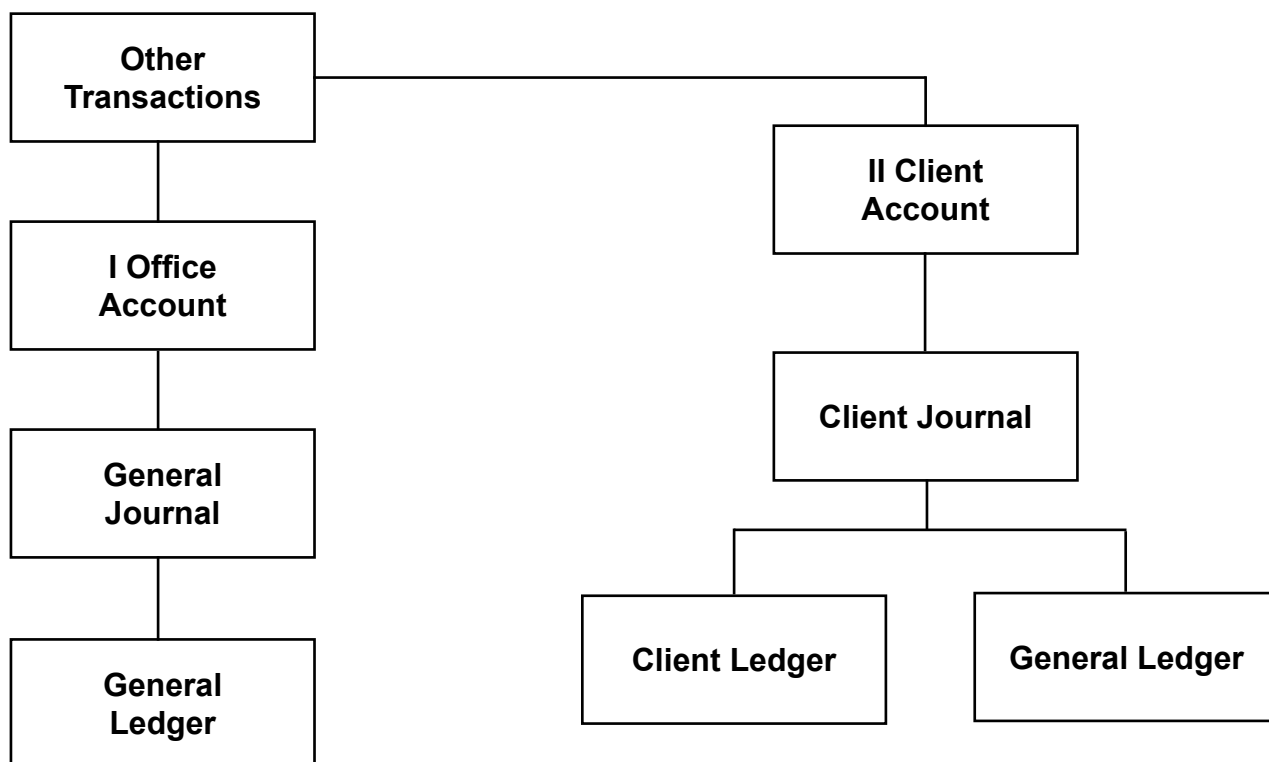
### THE BILLING PROCESS



**TABLE IV**

A solicitor occasionally has to record other non-cash transactions in his books. This is normally done by way of journal entries. A flow of these transactions is shown below:

### RECORDING OF OTHER TRANSACTIONS



#### **I – Office Account**

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Examples of transactions include:

- Accruals of expenses
- Writing off of bad debts
- Adjustments for prepayments

#### **II – Client Account**

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Examples of transactions include transfers from one client account to another.

**A) Examples of situations where the rules are not complied with**

- 1) On 30th June, Mr Lim has a \$80,000 deposit with his solicitor. Between 1st July and 15th July, the solicitor makes payments on his behalf amounting to \$50,000. The fees payable to his solicitor amount to \$40,000. On 16th July, the solicitor makes out a cheque transferring the balance of \$30,000 to the firm's bank account. On 20th July, the solicitor renders a bill to Mr Lim showing:

Fees	\$ 40,000
Disbursements	<u>50,000</u>
	90,000
Less deposit	<u>80,000</u>
Balance due	\$ <u>10,000</u>

**The money should only be transferred from the client account to the office account two days after the rendering of the bill to the client in accordance with the Law Society's Council's Practice Direction 2 of 2011 [renumbered as PDR 2013, Paragraph 79A] The bill should be rendered first say on 16 July, and the cheque made out on 18 July to transfer the money to the office account.**

- 2) Mr Lim writes to his client to request for an advance on his fee of approximately \$1,000 in view of his having done some preparatory work for him. On receiving the \$1,000 he banks the money into his firm's office account.

**The money should have been banked into the firm's client account as the amount was paid generally towards costs.**

- 3) The firm of Soh Swee Lim & Partners has the following names in their listing of client accounts;
- i) Sheila Nathan
  - ii) Soh Swee Lim
  - iii) Joseph Tan
  - iv) David Yeo

**Money belonging to Soh Swee Lim, a partner of the firm, should not be included in the client account. That would be a breach of Rule 2 of the SAR.**

- 4) Mr Ho's solicitor, renders a bill to Mr Ho for fees \$5,000 and disbursements of \$2,500. Subsequently, Mr Ho pays him a sum of \$7,500 at which time the solicitor had only paid out \$2,000 in the form of disbursements. Mr Ho banks the cheque of \$7,500 to his office account and makes the payment of the remaining disbursements of \$500 from his office account.

**The money should have been deposited in the client account and \$7,000 could then have been transferred to the office account. The remaining \$500 should have been transferred to the office account upon payment of the remaining disbursements or the \$500 should have been paid direct out of the client account as disbursements.**

- 5) A solicitor has \$15,000 in his client account on 1 January which he held on behalf of a client Mr Ng. On 13 January the solicitor makes a payment out of his client account for \$20,000. On 20 January Mr Ng pays \$5,000 to the firm.

**On 13 January, his solicitor should have made out a cheque for \$15,000 from his client account and \$5,000 from his office account. On 20 January the cheque for \$5,000 should have been banked into the office account. Alternatively, the solicitor should have made a cheque for \$20,000 out of the office account and transferred \$15,000 from the client account to the office account. On 20 January, the cheque for \$5,000 should have been banked into the office account.**

- 6) On 1 August, the client side of the clients' ledger accounts of Mr Yam, a solicitor, show the following balances:

- |    |                        |   |             |
|----|------------------------|---|-------------|
| a) | Amounts owing to Mr A  | - | \$ 5,000 CR |
| b) | Amounts owing by Mr B  | - | \$ 2,000 DR |
| c) | Amounts owing by Mrs C | - | \$ 8,000 DR |
| d) | Amounts owing to Mr X  | - | \$10,000 CR |

**There has been a breach of the SAR in respect of the accounts of Mr B and Mrs C as the client side of the clients' ledger accounts should never have balances showing amounts owing by the client to the solicitor.**

- 7) Mr Tan has \$60,000 in his OCBC - client account. In his books he has the following clients' ledger accounts:

Mr Ahmad Ibrahim	\$ 10,000
Mr Lim Ah Lee	50,000
Mrs Tan Siew Lan	<u>20,000</u>
	\$ <u>80,000</u>

**There has been a breach as the amount in the bank client account is less than the total of all individual clients' ledger accounts in the books.**

- 8) Mr X has placed \$100,000 of his clients' money into a general fixed deposit account. On maturity the interest was transferred to his client account and shown as a Client's suspense account in the Clients' Ledger,

Interest on a general fixed deposit account belongs to the solicitor. The interest should have been transferred to the office account and not the client account. There should also not be any suspense accounts in the Clients' Ledger.

- 9) Mr Y a solicitor has to answer some queries from a former client on 10 June 2014. He last dealt with the client's matters on 31 December 2008. He finds that all his ledgers and clients' files relating to 2008 have been destroyed as the firm was running out of storage space.



**There has been a breach of the Rules as a solicitor should preserve his records for a period of at least six years from the date of the last entry.**

- 10) Mr Tan pays his solicitor \$20,000 in respect of disbursements of \$10,000 and solicitor fees of \$10,000. His solicitor receives the money on 15 June and the solicitor banks it into his office account on 16 June. He makes payments for disbursements of \$10,000 on 20 June from his office account

**The sum of \$20,000 should have been deposited in the client account and \$10,000 in respect of his fees transferred to the office account. The payment of \$10,000 for disbursements should have been paid out of the client account.**

- 11) Mr Nava receives \$21,000 from a client in respect of two different matters which he records in two different client's ledger accounts, one with \$11,000 and the other with \$10,000. At the time of receiving the \$21,000 he knew he was going to hold the amount for 5 months before making any disbursements. Mr Nava places the money in his client account which is a current account.

**The \$21,000 should have been placed in a specially designated fixed deposit account as it comes within the provision of Rule 2(1) of the Legal Profession (Deposit Interest) Rules.**

*(wef 01/12/2015)*

- 12) Mr Lim a solicitor, follows the practice of banking all moneys received in payment of his bills for costs and disbursements by clients into a client account. As a result, payments in respect of agreed fees and disbursements incurred by the solicitor are banked into the client account before being transferred to the office account.

**This is a technical breach of the Rules as all moneys received in respect of completed matters for which bills have been rendered more than 2 days ago should be banked directly into the office account. Where money received is in respect of agreed fees, already incurred disbursements and anticipated disbursements then it should be deposited first in the client account and the portion relating to agreed fees and disbursements already incurred transferred to office account immediately.**

- 13) A fixed deposit of \$250,000 deposited with the Chartered Bank on behalf of a client is held in the name of Lim, Tan, Ho & Partners.

**The fixed deposit should have been placed in the name of the firm and marked "client account".**

**B) Examples of situations where the Rules were complied with**

- 1) Ah Meng gives \$5,000 to his solicitor for disbursements to be made on his behalf. The solicitor subsequently has to pay out expenses of \$1,000 and \$5,000 on his behalf. He pays the \$5,000 out of the money deposited in the client account and \$1,000 out of his office account.

**Disbursements on behalf of the client in excess of moneys deposited by him has to be out of the office account.**

- 2) Mr Ong, a solicitor, has agreed a fee of \$20,000 with his client, Mr Tay, in connection with the purchase of a company. The transaction is protracted and both Mr Tay and Mr Ong are anxious that Mr Ong is paid without delay. Mr Tay forwards a cheque of \$20,000 which is banked into the office account.

**As payment is towards an agreed fee, it is appropriate to bank the amount to the office account.**

- 3) Mr Ong, a solicitor, writes to his client, Mr Tay, as follows:

Dear Mr Tay,

As you are aware, I have now set down your case for hearing and in the normal course of events it should be heard next March. You will appreciate that I have expended certain sums by way of fees to other counsel, agent's fees and court fees on your behalf. To date, these amount to \$13,675. My own fees to date amount to \$5,000. I should therefore be grateful if you could let me have a remittance on account of costs.

Yours faithfully,

On receipt of the funds one week later, the money is banked into the office account

**Money is correctly banked into office account as there was a written intimation of costs to the client.**

- 4) Mr Ong, a solicitor, writes to his client, Mr Tay as follows:

Dear Mr Tay,

As you are aware, I have now instituted proceedings on your behalf against the list of debtors provided by you. A great deal of preparatory work has been done and I feel sure you will agree that it is now time for you to let me have a remittance of, -say \$2,000 on account of costs.

Yours faithfully.

On receipt of funds, the money is banked into the client account.

**Money is correctly banked into the client account as payment was generally towards costs.**

- 5) A firm of Solicitors Tan, Bala & Lim has client bank accounts with the following banks:

OCBC Bank	- Tan, Bala & Lim Client Account
Hong Leong Finance	- Tan, Bala & Lim Fixed Deposit Client Account
Far Eastern Bank	- Tan, Bala & Lim Client Account

A review of the client's files shows that the fixed deposit with Hong Leong Finance is in respect of a particular client who had requested that his money be placed in a finance company.

**Client's money deposited in an approved finance company is not a breach of the rules.**

- 6) Mr Lim, a solicitor, handles 4 different legal matters for the same client and client's money relating to each matter is received at different times and is recorded separately in 4 different client accounts. Individual balances in each of the 4 accounts were below \$20,000 but in total the sum of all the balances exceeded \$20,000 and was held in a current account for more than 4 months.

**The Deposit Interest Rules applies to individual receipts from clients. Therefore as the amounts were received at different times and were below \$20,000 at each instance the solicitor was not in breach of the SAR by placing the money in current account and not fixed deposit account.**

*(wef 01/12/2015)*

- 7) In 2012, Mr Lim, a partner in the firm of Nava, Tan, Lim & Partners, leaves the practice to join another firm. In the course of the changeover, Mr Lim takes with him certain clients' files and clients' moneys to his new firm and the firm changes its name to Nava, Tan & Partners. The clients remaining with Nava, Tan & Partners are not informed of the change and their permission is not sought regarding the retention in the old firm or transfer of clients' moneys to the new firm.

**The practice is in order as a client in retaining a firm is entitled to the services of all the members of the firm and on dissolution may treat the firm as having discharged themselves. In the event of a complete dissolution of a firm (e.g. where a partnership is dissolved and a sole proprietorship is formed instead) clients should be notified and all clients' moneys should be refunded or dealt with in accordance with the instructions of the clients. No one member of the dissolved firm is entitled to retain clients' moneys without the permission of the clients. Where files are distributed amongst the ex-partners, clients' instructions should be sought regarding the change and if that is not forthcoming, the moneys should be refunded to clients direct.**

**However, as in the above case, when 1 or 2 partners enter or leave and there is no complete dissolution of a partnership there is no requirement to get clients' permission regarding the retention of clients' moneys under the new name. However, for moneys held in respect of stakeholder files, there is a requirement that permission be sought from the client as regards the transfer / retention of stakeholder moneys to / by the new / old firm.**

LEGAL PROFESSION ACT  
(CHAPTER 161, SECTION 72(1))

LEGAL PROFESSION (SOLICITORS' ACCOUNTS) RULES

R S

Revised Edition 1999

(1st January 1999)

[8th August 1985]

**Citation**

1. These Rules may be cited as the Legal Profession (Solicitors' Accounts) Rules.

**Definition**

2. — (1) In these Rules, unless the context otherwise requires —  
“accounting corporation”, “accounting firm” and “accounting LLP” have the same meaning respectively, as in the Accountants Act (Cap. 2);

[S 660/2006 wef 01/01/2007]

“anticipatory conveyancing money” has the same meaning as in rule 4(4) of the Conveyancing Rules;

[S 395/2011 wef 01/08/2011]

“approved finance company” means any finance company registered under the Finance Companies Act (Cap. 108) which is approved by the Minister to accept either or both of the following:

- (a) deposits of client's money for the purposes of these Rules;
- (b) deposits of conveyancing money for the purposes of these Rules and the Conveyancing Rules;

[S 181/2012 wef 04/05/2012]

“bank” has the same meaning as in the Banking Act (Cap. 19);

“bank pass book” means a pass book issued by a bank in respect of any client account, conveyancing account or conveyancing (CPF) account maintained at such bank, and includes a pass book issued by an approved finance company in respect of any client account, conveyancing account or conveyancing (CPF) account maintained at such finance company;

[S 181/2012 wef 04/05/2012]

“bank statement” means a statement issued by a bank in respect of any client account, conveyancing account or conveyancing (CPF) account maintained at such bank, and includes a statement issued by an approved finance company in respect of any client account, conveyancing account or conveyancing (CPF) account maintained at such finance company;

[S 395/2011 wef 01/08/2011]

[S 181/2012 wef 04/05/2012]

"Central Provident Fund Board" means the Central Provident Fund Board constituted under the Central Provident Fund Act (Cap. 36);

*[S 395/2011 wef 01/08/2011]*

"client" means any person on whose account a solicitor holds or receives client's money;

"client account" means —

- (a) a current or deposit account maintained in the name of a solicitor at a bank; or
- (b) a deposit account maintained in the name of a solicitor with an approved finance company,

in the title of which account the word "client" appears;

"client's money" means money held or received by a solicitor on account of a person for whom he is acting (in relation to the holding or receipt of such money) either as a solicitor, or in connection with his practice as a solicitor, an agent, a bailee or a stakeholder or in any other capacity, other than —

- (a) money held or received on account of the trustees of a trust of which the solicitor is solicitor-trustee;
- (b) money to which the only person entitled is the solicitor himself or, in the case of a firm of solicitors, one or more of the partners in the firm; or
- (c) conveyancing money or anticipatory conveyancing money;

*[S 395/2011 wef 01/08/2011]*

"conveyance" has the same meaning as in the Conveyancing and Law of Property Act (Cap. 61);

"conveyancing account", "conveyancing (CPF) account" and "conveyancing money" have the same meanings as in rule 2(2) of the Conveyancing Rules;

*[S 395/2011 wef 01/08/2011]*

"Conveyancing Rules" means the Conveyancing and Law of Property (Conveyancing) Rules 2011 (G.N. No. S 391/2011);

*[S 395/2011 wef 01/08/2011]*

"land" has the same meaning as in rule 2(2) of the Conveyancing Rules;

*[S 395/2011 wef 01/08/2011]*

"public accountant" has the same meaning as in the Accountants Act 2004;

*[S 109/2004 wef 01/04/2004]*

"Public Accountants Oversight Committee" means the Public Accountants Oversight Committee appointed under section 4 of the Accountants Act 2004;

*[S 109/2004 wef 01/04/2004]*

"signatory", in relation to a client account, means a solicitor who is authorised to sign a cheque or other instruction effecting a withdrawal from the client account;

*[S 207/2007 wef 15/07/2007]*

"solicitor" means an advocate and solicitor of the Supreme Court, and includes a Singapore law practice;

"solicitor-trustee" means a solicitor who is the sole trustee or co-trustee only with one or more of his partners or employees;

"trust money" means money held or received by a solicitor which is not client's money or conveyancing money and which is subject to a trust of which the solicitor is a trustee whether or not he is the solicitor-trustee of such trust.

*[S 395/2011 wef 01/08/2011]*

(2) In these Rules, the references to accounts, books, ledgers, journals and records shall include loose-leaf books and such cards or other permanent documents or records as are necessary for the operation of any system of book-keeping, computerised, mechanical or otherwise.

### **Client accounts conveyancing accounts and conveyancing (CPF) accounts**

- 3.— (1) Subject to rule 9, every solicitor who holds or receives client's money, or money which under rule 4 he is permitted and elects to pay into a client account, shall without delay pay such money into a client account.

*[S 395/2011 wef 01/08/2011]*

(1A) A solicitor shall not hold or receive conveyancing money except in accordance with the applicable provisions of these Rules and the Conveyancing Rules.

*[S 395/2011 wef 01/08/2011]*

(1B) Subject to rule 17, a solicitor shall not hold or receive any anticipatory conveyancing money belonging to another person.

*[S 395/2011 wef 01/08/2011]*

*[S 631/2011 wef 25/11/2011]*

(2) Any solicitor may keep one client account or as many such accounts as he thinks fit.

(3) Any solicitor may keep one conveyancing account or as many such accounts as he thinks fit.

*[S 395/2011 wef 01/08/2011]*

(4) Any solicitor appointed to act for the Central Provident Fund Board in a conveyancing transaction may keep one conveyancing (CPF) account or as many such accounts as he thinks fit.

*[S 395/2011 wef 01/08/2011]*

(5) Every conveyancing account or conveyancing (CPF) account kept by a solicitor under paragraph (3) or (4) shall be maintained by the solicitor in accordance with the Conveyancing Rules.

*[S 395/2011 wef 01/08/2011]*

(6) No money shall be withdrawn from a conveyancing account or conveyancing (CPF) account except in accordance with the Conveyancing Rules.

*[S 395/2011 wef 01/08/2011]*

## **Moneys to be paid into client account**

### **4. There may be paid into a client account —**

- (a) trust money;
- (b) such money belonging to the solicitor as may be necessary for the purpose of opening or maintaining the account;
- (c) money to replace any sum which for any reason may have been drawn from the account in contravention of rule 8(2);
- (d) money received by the solicitor, which under rule 5(3) he is entitled to split but which he does not split;
- (e) any money provided to the solicitor under rule 5(3) of the Conveyancing Rules, if the solicitor satisfies the condition referred to in that provision; and
- (f) any money received by the solicitor under rule 5(4) of the Conveyancing Rules, if the solicitor satisfies the condition referred to in that provision.

*[S 395/2011 wef 01/08/2011]*

*[S 395/2011 wef 01/08/2011]*

*[S 395/2011 wef 01/08/2011]*

*[S 395/2011 wef 01/08/2011]*

*[S 631/2011 wef 25/11/2011]*

## **Splitting of moneys**

- 5.—** (1) Subject to paragraph (2), a solicitor shall not hold or receive any sum of money which consists of a mixture of conveyancing money and any other money.

*[S 395/2011 wef 01/08/2011]*

(2) Where any sum of money held or received by a solicitor subsequently becomes a mixture of conveyancing money and any other money, the solicitor shall —

- (a) split the conveyancing money from the other money; and
- (b) deal with the conveyancing money as if he had received the conveyancing money as a separate sum of money.

*[S 395/2011 wef 01/08/2011]*

(3) Subject to paragraphs (1) and (2), where a solicitor holds or receives any sum of money which consists of a mixture of client's money, or trust money of one or more trusts, or both, and any other money —

- (a) he may where practicable split the money and, if he does so, he shall deal with each part thereof as if he had received a separate sum of money in respect of that part; or
- (b) if he does not split the money, he shall, if any part thereof consists of client's money, and may, in any other case, pay the money into a client account.

*[S 395/2011 wef 01/08/2011]*

## **No money other than money under rules 3(1), 4 and 5(3) to be paid into client account**

- 6.—** (1) No money, other than money under rules 3(1), 4 and 5(3) which a solicitor is required or permitted to pay into a client account, shall be paid into a client account.

*[S 395/2011 wef 01/08/2011]*

(2) It shall be the duty of a solicitor into whose client account any money has been paid in contravention of this rule to withdraw the money without the delay on discovery.

### **Moneys which may be drawn from client account**

**7.—** (1) There may be drawn from a client account —

- (a) in the case of client's money, any money paid into the client account under rule 4(e) or (f), or any conveyancing money or anticipatory conveyancing money deposited into the client account before 1st August 2011 which continues to be held in the client account under rule 17(1)(a) —
    - (i) money properly required for a payment to or on behalf of the client;
    - (ii) money properly required in full or partial reimbursement of money expended by the solicitor on behalf of the client;
    - (iii) money drawn on the client's authority;
    - (iv) money properly required for or towards payment of the solicitor's costs where a bill of costs or other written intimation of the amount of the costs incurred has been delivered to the client and the client has been notified that money held for him will be applied towards or in satisfaction of such costs; and
    - (v) money to be transferred to another client account;

*[S 631/2011 wef 25/11/2011]*
  - (b) in the case of trust money —
    - (i) money properly required for a payment in the execution of the particular trust; and
    - (ii) money to be transferred to a separate bank account kept solely for the money of the particular trust;
  - (c) such money, not being money to which sub-paragraph (a) or (b) applies, as may have been paid into the account under rule 4(b) or 5(3)(b); and
- [S 395/2011 wef 01/08/2011]*
- (d) money which for any reason may have been paid into the account in contravention of rule 6.

(2) In the case of client's money and trust money referred to in paragraph (1)(a) and (b), the money so drawn shall not exceed the total of the money held for the time being in the client account on account of the client or trust.

### **Money from client account — how drawn**

**8. —** (1) Except as provided under rule 7, no money shall be drawn from a client account unless the Council upon an application made to it by the solicitor specifically authorises in writing such withdrawal.

(2) No money shall be drawn from a client account under rule 7(1)(a)(ii) or (iv), (c) or (d) except by —

- (a) a cheque drawn in favour of the solicitor; or
- (b) a transfer to a bank account in the name of the solicitor not being a client account.



(3) No money shall be drawn from a client account under rule 7(1)(c) or (d) by a cash cheque or a bearer cheque.

*[S 206/2007 wef 15/05/2007]*

(4) No money shall be drawn from a client account by a cash cheque or a bearer cheque except with the leave of a Judge of the High Court.

*[S 206/2007 wef 15/05/2007]*

(4A) No money shall be drawn from a client account by means of any —

- (a) automated teller machine;
- (b) telephone banking service; or
- (c) online banking service.

*[S 206/2007 wef 15/05/2007]*

(5) No sum exceeding \$5,000 shall be drawn from a client account except upon a cheque (or other instruction effecting the withdrawal) signed by 2 solicitors.

*[S 207/2007 wef 15/07/2007]*

(6) Paragraph (5) shall not apply if —

- (a) the solicitor has engaged a book-keeper for the purposes of rule 11(8); and
- (b) the sum to be drawn does not exceed \$30,000.

*[S 207/2007 wef 15/07/2007]*

(7) A solicitor shall not sign a cheque or other instruction effecting a withdrawal from a client account if —

- (a) the solicitor has been —
  - (i) in practice as a solicitor in Singapore for less than 3 years in aggregate; or
  - (ii) employed as a Legal Service Officer for less than 3 years in aggregate;
- (b) the solicitor is not holding a current practising certificate; or
- (c) the practising certificate of the solicitor is subject to any condition imposed under section 25A or 27A of the Act prohibiting the solicitor from signing such cheques or instructions.

*[S 207/2007 wef 15/07/2007]*

*[S 468/2009 wef 09/10/2009]*

(8) For the avoidance of doubt, a solicitor shall comply with the requirements of these Rules in respect of the withdrawal of money from a client account notwithstanding that the leave of a Judge of the High Court has been obtained in respect of that withdrawal for the purposes of paragraph (4).

*[S 207/2007 wef 15/07/2007]*

### **Where solicitor under no obligation to pay client's money into client account**

- 9.— (1) Notwithstanding the provisions of these Rules, a solicitor shall not be under obligation to pay into a client account client's money held or received by him —

- (a) in the form of cash, and is without delay paid in cash in the ordinary course of business to the client or on his behalf to a third party;
  - (b) in the form of a cheque or draft which is endorsed over in the ordinary course of business to the client or on his behalf to a third party and is not passed by the solicitor through a bank account or an account with an approved finance company account; or
  - (c) which he pays into a separate bank account or into a separate account with an approved finance company opened or to be opened in the name of the client or of some person designated by the client in writing.
- (2) Notwithstanding the provisions of these Rules, a solicitor shall not pay into a client account, money held or received by him —
- (a) which the client for his own convenience requests the solicitor in writing to withhold from such account;
  - (b) for or towards payment of a debt due to the solicitor from the client or in reimbursement of money expended by the solicitor on behalf of the client; or
  - (c) which is expressly paid to him —
    - (i) on account of costs incurred, in respect of which a bill of costs or other written intimation of the amount of the costs has been delivered for payment; or
    - (ii) as an agreed fee (or on account of an agreed fee) for business undertaken or to be undertaken.
- (3) Where money includes client's money as well as money of the nature described in paragraph (2), that money shall be dealt with in accordance with rule 5(3).
- [S 395/2011 wef 01/08/2011]*
- (4) Notwithstanding the provisions of these Rules, the Council may upon an application made to it by a solicitor specifically authorise him in writing to withhold any client's money from a client account.

### **Transfers between accounts**

- 10.** No sum shall be transferred from the ledger account of one client to that of another, except in circumstances in which —
- (a) it would have been permissible under these Rules to have withdrawn from a client account the sum transferred from the first client and to have paid into a client account the sum so transferred to the second client; or
  - (b) it would have been permissible under the Conveyancing Rules to have withdrawn from a conveyancing account the sum transferred from the first client and to have paid into a conveyancing account the sum so transferred to the second client.
- [S 395/2011 wef 01/08/2011]*

### **Cash books, ledgers, journals, etc.**

- 11.—** (1) Every solicitor shall at all times keep properly written up in the English language such cash books, ledgers and journals and such other books and accounts as may be necessary
-

- (a) to show all his dealings with —
  - (i) client's money received, held or paid by him through a client account; *[S 395/2011 wef 01/08/2011]*
  - (ii) conveyancing money received, held or paid by him through a conveyancing account or conveyancing (CPF) account; and *[S 395/2011 wef 01/08/2011]*
  - (iii) any other money dealt with by him through a client account; *[S 395/2011 wef 01/08/2011]*
- (b) to show separately in respect of each client all money of the categories specified in sub-paragraph (a) which is received, held or paid by him on account of that client; and
- (c) to distinguish all money of the categories mentioned in sub-paragraph (b) received, held or paid by him, from any other money received, held or paid by him.

- (2) All dealings referred to in paragraph (1)(a) shall be recorded as may be appropriate —
  - (a) in a client's cash book or a client's column of a cash book; or
  - (b) in a record of sums transferred from the ledger account of one client to that of another,
 and in addition —
  - (i) in a client's ledger or a client's column of a ledger; and
  - (ii) in a journal.

(2A) No other dealings shall be recorded in such client's cash book and ledger mentioned in paragraph (2) or, as the case may be, in such client's columns and journal.

(2B) All dealings of the solicitor relating to his practice as solicitor other than those referred to in paragraph (1)(a) shall, subject to compliance with the Legal Profession (Solicitors' Trust Accounts) Rules (R 9), be recorded in such other cash book and ledger or such other columns of a cash book and ledger and such journal as the solicitor may choose to maintain.

(3) In addition to the books and accounts referred to in paragraphs (2) and (2B), every solicitor shall keep a record of all bills of costs (distinguishing between profit costs and disbursements) and of all written intimations under rules 7(1)(a)(iv) and 9(2)(c)(i) delivered or made by the solicitor to his clients, which record shall be contained in a bills delivered book or a file of copies of such bills and intimations.

(4) Every solicitor shall within one month of his commencing practice on his own account (either alone or in partnership) and thereafter not less than once in every succeeding month cause the balance of his clients' cash books (or clients' column of his cash book) to be reconciled with his clients' bank statements and shall keep in the cash book or other appropriate place a statement showing the reconciliation.

*[S 109/2004 wef 01/04/2004]*

(5) No solicitor shall make use of any computerised system of book-keeping for the purpose of this rule unless any information which is recorded on such computerised system is capable of being reproduced in the form of a printed document within a reasonable time.

(6) Every solicitor shall preserve for a period of at least 6 years from the date of the last entry therein —

- (a) all accounts, books, ledgers and records kept by him under this rule; and
- (b) all bank statements received by him in respect of each client account, conveyancing account and conveyancing (CPF) account.

*[S 395/2011 wef 01/08/2011]*  
*[S 631/2011 wef 25/11/2011]*

(7) Unless authorised in writing by the Council, no money may be withdrawn from a bank account or a deposit account with an approved finance company, being or forming part of a client account, otherwise than under the signature of a solicitor who is not a person prohibited under rule 8(7) from signing a cheque or other instruction effecting a withdrawal from a client account.

*[S 207/2007 wef 15/07/2007]*

(8) Subject to rule 11A, a solicitor may engage a book-keeper to keep his books and accounts properly written up and reconciled as required by this rule.

*[S 109/2004 wef 01/04/2004]*

*[S 207/2007 wef 15/07/2007]*

## Engagement of book-keeper

**11A.**—(1) A solicitor shall not engage a book-keeper for the purposes of rule 11(8) unless he has obtained the written approval of the Council to do so.

*[S 109/2004 wef 01/04/2004]*

*[S 207/2007 wef 15/07/2007]*

(2) An application for the approval of the Council to engage a book-keeper for the purposes of rule 11(8) shall be submitted to the Council in such form as the Council may require and shall be accompanied by a statutory declaration affirmed or sworn —

- (a) if the proposed book-keeper is an accounting firm, by the sole proprietor or managing partner (as the case may be) of the accounting firm —
  - (i) stating that no proprietor or partner of the accounting firm, as the case may be, is an immediate family member of the solicitor;
  - (ia) stating whether the person to be appointed to provide book-keeping services to the solicitor on behalf of the accounting firm has completed any course specified under paragraph (2A) and, if that person has not completed such a course, undertaking that that person will complete the course within 12 months of being so appointed;
- (b) if the proposed book-keeper is an accounting corporation, by the managing director of the accounting corporation —
  - (i) stating that no director or member of the accounting corporation is an immediate family member of the solicitor;
  - (ia) stating whether the person to be appointed to provide book-keeping services to the solicitor on behalf of the accounting corporation has completed any course specified under paragraph (2A) and, if that person has not completed such a course, undertaking that that person will complete the course within 12 months of being so appointed;

*[S 207/2007 wef 15/07/2007]*

*[S 207/2007 wef 15/07/2007]*

- (ba) if the proposed book-keeper is an accounting LLP, by the manager of the accounting LLP —
- (i) stating that no partner or manager of the accounting LLP is an immediate family member of the solicitor;
  - (ia) stating whether the person to be appointed to provide book-keeping services to the solicitor on behalf of the accounting LLP has completed any course specified under paragraph (2A) and, if that person has not completed such a course, undertaking that that person will complete the course within 12 months of being so appointed;  
[S 207/2007 wef 15/07/2007]
  - (ii) undertaking that he will inform the Council in writing immediately if the book-keeper encounters any of the issues referred to in paragraph (8); and
  - (iii) undertaking that he will inform the Council in writing immediately if there are any changes in the matters referred to in sub-paragraph (i);  
[S 660/2006 wef 01/01/2007]
- (c) if the proposed book-keeper is a firm or body corporate providing book-keeping services (other than an accounting firm, accounting corporation or accounting LLP), by the sole proprietor, managing partner or managing director of the firm or body corporate (as the case may be) —
- (i) stating that no relevant person is an immediate family member of the solicitor;
  - (ia) stating whether the person to be appointed to provide book-keeping services to the solicitor on behalf of the firm or body corporate has completed any course specified under paragraph (2A) and, if that person has not completed such a course, undertaking that that person will complete the course within 12 months of being so appointed;  
[S 207/2007 wef 15/07/2007]
  - (ii) undertaking that he will inform the Council in writing immediately if the book-keeper encounters any of the issues referred to in paragraph (8);
  - (iii) stating the professional qualifications of persons who will provide book-keeping services to the solicitor on behalf of the firm or body corporate and any relevant experience they may have in preparing accounts for a solicitor; and
  - (iv) undertaking that he will inform the Council in writing immediately if there are any changes in the matters referred to in sub-paragraph (i) or (iii); or
  - (d) if the proposed book-keeper is an individual, by the book-keeper —
    - (i) stating that he is not an employee or immediate family member of the solicitor;  
[S 207/2007 wef 15/07/2007]
    - (ia) stating whether he has completed any course specified under paragraph (2A) and, if he has not completed such a course, undertaking that he will complete the course within 12 months of being engaged by the solicitor as a book-keeper;  
[S 207/2007 wef 15/07/2007]
    - (ii) undertaking that he will inform the Council in writing immediately if he encounters any of the issues referred to in paragraph (8);
    - (iii) stating his professional qualifications and, if he is not a public accountant, any relevant experience he may have in preparing accounts for a solicitor; and
    - (iv) undertaking that he will inform the Council in writing immediately if there are any changes in the matters referred to in sub-paragraph (i) or (iii).  
[S 109/2004 wef 01/04/2004]

(2A) The Council may specify one or more courses for the purposes of paragraph (2)(a)(ia), (b)(ia), (ba)(ia), (c)(ia) and (d)(ia) by publishing the particulars of the specified courses on the website of the Law Society.

[S 207/2007 wef 15/07/2007]

(3) The Council may, in its discretion, refuse to grant its approval for a solicitor to engage a book-keeper for the purposes of rule 11(8) if —

- (a) the book-keeper or any person who will provide book-keeping services to the solicitor on behalf of the book-keeper does not, in the opinion of the Council, possess the requisite professional qualifications or relevant experience to carry out his duties;
- (b) the book-keeper or (if the proposed book-keeper is a firm or body corporate) any relevant person is an immediate family member of the solicitor;
- (c) the Council is of the view that the book-keeper or (if the proposed book-keeper is a firm or body corporate) any relevant person is unlikely to act independently of the solicitor; or
- (d) a notice of disqualification under paragraph (4) or rule 3(2) of the Legal Profession (Accountant's Report) Rules (R 10) has been issued in respect of the proposed book-keeper or (if the proposed book-keeper is a firm or body corporate) any relevant person.

[S 109/2004 wef 01/04/2004]

[S 660/2006 wef 01/01/2007]

[S 207/2007 wef 15/07/2007]

(4) Where —

- (a) the Public Accountants Oversight Committee has made a disciplinary order against a public accountant under section 52(2) of the Accountants Act 2004 (Act 4 of 2004) (or an equivalent provision under the repealed Accountants Act (Cap. 2)) or against an accounting corporation or accounting firm or accounting LLP under section 53(2) of the Accountants Act 2004 (or an equivalent provision under the repealed Accountants Act);
- (b) the Council is satisfied that a solicitor has not complied with these Rules and a book-keeper engaged by the solicitor for the purposes of rule 11(8) has failed to inform the Law Society promptly of any issues referred to in paragraph (8);
- (c) the Council is satisfied that a book-keeper or any relevant person does not satisfy the minimum requirements as to qualifications, independence or experience required by the Council or any statutory declaration furnished to the Council under paragraph (2) was false in regard to any of those requirements; or
- (d) any undertaking under paragraph (2)(a)(ia), (b)(ia), (ba)(ia), (c)(ia) or (d)(ia), relating to the completion of any course specified under paragraph (2A), given by a book-keeper or in respect of a person appointed to provide book-keeping services on behalf of a book-keeper, as the case may be, has not been complied with,

[S 207/2007 wef 15/07/2007]

the Council may, in its discretion, at any time notify the book-keeper that he is not qualified to be engaged as a book-keeper for the purposes of rule 11(8).

[S 109/2004 wef 01/04/2004]

[S 660/2006 wef 01/01/2007]

(5) The Council may give notice, of the fact that a book-keeper is not qualified to be engaged as a book-keeper for the purposes of rule 11(8), to any solicitor who appears to the Council to be likely to engage that book-keeper for the purposes of rule 11(8) or for the purpose of giving an accountant's report under the Legal Profession (Accountant's Report) Rules (R 10).

[S 109/2004 wef 01/04/2004]

[S 207/2007 wef 15/07/2007]

(6) After a book-keeper has been notified that he is not qualified to be engaged as a book-keeper for the purposes of rule 11(8) and until such notice of disqualification has been withdrawn by the Council, he shall not —

- (a) be engaged as a book-keeper for the purposes of rule 11(8); and
- (b) be qualified to give an accountant's report under the Legal Profession (Accountant's Report) Rules (R 10).

*[S 109/2004 wef 01/04/2004]*

*[S 207/2007 wef 15/07/2007]*

(7) In coming to its decision, the Council shall (if the decision is based on any matter referred to in paragraph (4)(a)) take into consideration any observation or explanation made or given by the book-keeper or on his behalf by the Public Accountants Oversight Committee.

*[S 109/2004 wef 01/04/2004]*

(8) Subject to paragraph (9), the issues which a book-keeper shall be required to undertake to inform the Council under paragraph (2)(a)(ii), (b)(ii), (ba)(ii), (c)(ii) and (d)(ii) are as follows:

- (a) the book-keeper is unable to reconcile the balance in the client's cash book (or client's column in the cash book) with the bank statements for all or any of the solicitor's client accounts, conveyancing accounts or conveyancing (CPF) accounts in any month;
- (b) the book-keeper is unable to properly write up the books and accounts as required by rule 11;
- (c) the solicitor has received, held or authorised the withdrawal of client's conveyancing money in contravention of the applicable provisions of these Rules or the Conveyancing Rules, or both;
- (d) the solicitor has failed to respond to such query from the book-keeper as is necessary to enable the book-keeper to carry out his duties referred to in sub-paragraph (a), (b) or (c).

*[S 395/2011 wef 01/08/2011]*

*[S 395/2011 wef 01/08/2011]*

*[S 109/2004 wef 01/04/2004]*

*[S 660/2006 wef 01/01/2007]*

*[S 207/2007 wef 15/07/2007]*

(9) The issues referred to in paragraph (8) shall not include trivial breaches due to clerical errors or mistakes in book-keeping, that were rectified upon discovery and did not result in any loss to the client.

*[S 109/2004 wef 01/04/2004]*

*[S 207/2007 wef 15/07/2007]*

(10) A book-keeper engaged by a solicitor for the purposes of rule 11(8) shall submit to the Council annually a statutory declaration as described in paragraph (2) and the statutory declaration shall be submitted not later than 2 weeks after each anniversary of the date when the Council granted its written approval for the book-keeper to be so engaged by the solicitor.

*[S 109/2004 wef 01/04/2004]*

*[S 207/2007 wef 15/07/2007]*

(11) In this rule, "immediate family member", in relation to a solicitor, means a spouse, a child, an adopted child, a step-child, a sibling or a parent of the solicitor or (if the solicitor is a partner or director of a law firm, a limited liability law partnership or a law corporation) of any partner or director of that law firm, limited liability law partnership or law corporation (as the case may be).

*[S 109/2004 wef 01/04/2004]*

*[S 660/2006 wef 01/01/2007]*

*[S 478/2008 wef 19/09/2008]*

(12) In paragraphs (2)(c)(i), (3)(b), (c) or (d) or (4)(c), "relevant person" means, in relation to a firm or a body corporate providing book-keeping services to a solicitor, any proprietor, partner, director, member or employee of the firm or body corporate (as the case may be), or any person who will provide book-keeping services to the solicitor on behalf of the firm or body corporate.

[S 109/2004 wef 01/04/2004]  
[S 660/2006 wef 01/01/2007]

(13) Nothing in this rule shall deprive a solicitor of the right on the grounds of privilege as between solicitor and client to decline to produce to the book-keeper any document which the book-keeper may consider necessary for him to inspect for the purposes of carrying out his duties referred to in paragraph (8)(a) or (b).

[S 109/2004 wef 01/04/2004]

(14) Where the solicitor so declines, the book-keeper shall set out the circumstances and particulars of the issue encountered when he informs the Council of the issue.

[S 109/2004 wef 01/04/2004]  
[S 207/2007 wef 15/07/2007]

11B. [Deleted by S 395/2011 wef 01/08/2011]

### **Power of Council to require production of books of account, etc.**

- 12.** — (1) In order to ascertain whether these Rules have been complied with, the Council acting —
- (a) on its own motion; or
  - (b) on a written complaint lodged with it by a third party,
- may require any solicitor to produce at a time and place to be fixed by the Council, his books of account, bank pass books, loose-leaf bank statements, statements of account, vouchers and any other necessary documents for the inspection of any person appointed by the Council and to supply to that person any necessary information and explanations and that person shall prepare for the information of the Council a report on the result of such inspection.
- (2) Such report may be used as a basis for proceedings under the Act.
- (3) Upon being required to do so, a solicitor shall produce such books of account, bank pass books, loose-leaf bank statements, statements of account, vouchers and documents at the time and place fixed.
- (4) Before making any appointment under paragraph (1), the Council shall consider any objection made by any such solicitor to the appointment of a particular person on personal or other proper grounds.
- (5) Before instituting an inspection on a written complaint lodged with it by a third party, the Council —
- (a) shall require prima facie evidence that a ground of complaint exists; and
  - (b) may require the payment by that party to the Council of a reasonable sum to be fixed by it to cover the costs of the inspection, and the costs of the solicitor against whom the complaint is made.
- (6) The Council may deal with any sum so paid in such manner as it thinks fit.



## Intimation of costs incurred

- 13.** A written intimation of the amount of a solicitor's costs incurred and a notification to a client that money held for him will be applied as mentioned in rule 7(1)(a)(iv) may be delivered to a client in the same manner as a bill of costs is required to be delivered under section 118 of the Act.

## Requirements of Council — how made

- 14.** Every requirement to be made by the Council of a solicitor under these Rules —
- (a) shall be made in writing under the hand of the Director or a member of the Council designated by the Council for the purpose; and
  - (b) may be served on the solicitor by sending the document by registered post to his usual or last known address.

## Notice given by Council to book-keepers

- 14A.** Every notice to be given by the Council to a book-keeper under these Rules —
- (a) shall be in writing under the hand of the Director or a member of the Council designated by the Council for this purpose; and
  - (b) if the book-keeper is an accountant, an accounting firm, an accounting corporation or an accounting LLP, may be served on the book-keeper by sending the notice by registered post to the address of the book-keeper provided to the Council in relation to an application under rule 11A or appearing in the Register of Public Accountants, Register of Accounting Firms or Register of Accounting Corporations (as the case may be) kept and maintained under the Accountants Act 2004 (Act 4 of 2004).

[S 109/2004 wef 01/04/2004]

[S 660/2006 wef 01/01/2007]

## Saving

- 15.** Nothing in these Rules shall deprive a solicitor of any recourse or right, whether by way of lien, set-off, counter-claim, charge or otherwise, against moneys standing to the credit of a client account.

## Power to waive provisions

- 16.** The Council may, if it thinks fit in any particular case, waive any of the provisions of these Rules in writing, subject to such terms and conditions as the Council may impose.

[S 109/2004 wef 01/04/2004]

Transitional and savings provisions for conveyancing money or anticipatory conveyancing money deposited into client account before 1st August 2011

- 17.—** (1) Notwithstanding anything in these Rules or in Part II of the Conveyancing Rules, a solicitor may continue to hold any conveyancing money or anticipatory conveyancing money that is deposited into his client account before 1st August 2011 —

- (a) in any case where the money is unclaimed conveyancing money, in accordance with these Rules, until the money is drawn from the client account; or
  - (b) in any other case, for a period of 5 months beginning on 1st August 2011.
- (2) For a period of 5 months beginning on 1st August 2011 —
- (a) rules 2(1), 3 to 6, 7(1), 9(3), 10, 11 and 11A(8) of these Rules in force on or after 1st August 2011 shall not apply to a solicitor in respect of any holding by him of any conveyancing money or anticipatory conveyancing money referred to in paragraph (1); and
  - (b) rules 2(1), 3 to 6, 7(1), 9(3), 10, 11, 11A(8) and 11B of these Rules in force immediately before 1st August 2011 shall continue to apply to that solicitor, in respect of that holding by him of the money.
- (3) In this rule, "unclaimed conveyancing money" means any conveyancing money or anticipatory conveyancing money deposited into a solicitor's client account before 1st August 2011 which the solicitor is unable to pay to the person entitled to be paid the money by reason that —
- (a) the solicitor is unable to ascertain —
    - (i) whether that person exists; or
    - (ii) the address of that person;
  - (b) the solicitor has tendered to that person, but that person has not accepted, the money;
  - (c) the solicitor has tendered the money to that person by a cheque, but that person has not encashed the cheque; or
  - (d) despite the making of reasonable efforts, the solicitor is unable to tender the money to that person.

*[S 631/2011 wef 25/11/2011]*

LEGAL PROFESSION ACT  
(CHAPTER 161, SECTION 72(1))

LEGAL PROFESSION (SOLICITORS' TRUST ACCOUNTS) RULES

R 9

Revised Edition 2010

(31st May 2010)

[8th August 1985]

**Citation**

1. These Rules may be cited as the Legal Profession (Solicitors' Trust Accounts) Rules.

**Definition**

2. In these Rules, unless the context otherwise requires —

“approved finance company” means any finance company registered under the Finance Companies Act (Cap. 108) which is approved by the Minister to accept deposits of client's money for the purposes of these Rules;

“bank” has the same meaning as in the Banking Act (Cap. 19);

“client account” means a current or deposit account which —

- (a) is maintained in the name of a solicitor at a bank or with an approved finance company;
- (b) has the word “client” appearing in its title; and
- (c) is kept and operated in accordance with the provisions of the Legal Profession (Solicitors' Accounts) Rules (R 8);

“solicitor-trustee” means a solicitor who is the sole trustee or a co-trustee only with one or more of his partners or employees;

“trust account” means a current or deposit account which —

- (a) is maintained in the name of a solicitor at a bank or with an approved finance company solely for money subject to a particular trust of which the solicitor is a solicitor-trustee; and
- (b) has the word “trustee” or “executor” appearing in its title or which is otherwise clearly designated as a trust account.

**Trust accounts**

3. Subject to rule 9, every solicitor-trustee who holds or receives money subject to a trust of which he is a solicitor-trustee, other than money which is paid into a client account as permitted by the Legal Profession (Solicitors' Accounts) Rules, shall without delay pay such money into the trust account of the particular trust.

**Moneys to be paid into trust account**

4. There may be paid into a trust account —
- (a) money subject to the particular trust;
  - (b) such money belonging to the solicitor-trustee or to a co-trustee as may be necessary for the purpose of opening or maintaining the account; or
  - (c) money to replace any sum which for any reason may have been drawn from the account in contravention of rule 8.

**Cheque or draft which includes trust money to be paid into client account**

5. Where a solicitor holds or receives a cheque or draft which includes money subject to a trust or trusts of which the solicitor is solicitor-trustee, he shall pay it into a client account as permitted by the Legal Profession (Solicitors' Accounts) Rules (R 8).

**No money other than money under rules 3 and 4 to be paid into trust account**

6. — (1) No money, other than money which under rules 3 and 4 a solicitor is required or permitted to pay into a trust account, shall be paid into a trust account.
- (2) It shall be the duty of a solicitor into whose trust account any money has been paid in contravention of this rule to withdraw the money without delay on discovery.

**Moneys which may be drawn from trust account**

7. There may be drawn from a trust account —
- (a) money properly required for payment in the execution of the particular trust;
  - (b) money to be transferred to a client account;
  - (c) such money, not being money subject to the particular trust, as may have been paid into the account under rule 4(b); or
  - (d) money which has (for any reason) been paid into the account in contravention of rule 6.

**Council to authorise withdrawal**

8. No money, other than money drawn from a trust account under rule 7, shall be so drawn unless the Council upon an application made to it by the solicitor specifically authorises in writing such withdrawal.

**Where solicitor under no obligation to pay money into trust account**

9. Notwithstanding the provisions of these Rules, a solicitor shall not be under obligation to pay into a trust account money subject to a trust of which he is the solicitor-trustee which is received by him —

- (a) in the form of cash and which is immediately paid to a third party in the form of cash in the execution of the trust; or
- (b) in the form of a cheque or draft and which is immediately endorsed over to a third party in the execution of the trust without being passed by the solicitor through a bank account or an account maintained with an approved finance company.

## **Books and accounts**

- 10. —** (1) Every solicitor-trustee shall at all times keep properly written up in the English language such books and accounts as may be necessary —
- (a) to show separately in respect of each trust of which he is the solicitor-trustee all his dealings with money received, held or paid by him on account of that trust; and
  - (b) to distinguish the same from money received, held or paid by him on any other accounts.
- (2) Every solicitor-trustee shall preserve for a period of at least 6 years from the date of the last entry therein all books and accounts kept by him under this rule.

## **Power of Council to require production of books of account, etc.**

- 11. —** (1) In order to ascertain whether these Rules have been complied with, the Council acting —
- (a) on its own motion; or
  - (b) on a written complaint lodged with it by a third party,
- may require any solicitor-trustee to produce at a time and place to be fixed by the Council, all books of account, bank pass books, loose-leaf bank statements, statements of account, vouchers and documents relating to all or any of the trusts of which he is the solicitor-trustee for the inspection of any person appointed by the Council, and that person shall prepare for the information of the Council a report on the result of such inspection.
- (2) Such report may be used as a basis for proceedings under the Act.
- (3) Upon being required to do so, a solicitor-trustee shall produce such books of account, bank pass books, loose-leaf bank statements, statements of account, vouchers and documents at the time and place fixed.
- (4) Before making any appointment under paragraph (1), the Council shall consider any objection made by any such solicitor-trustee to the appointment of a particular person on personal or other proper grounds.
- (5) Before instituting an inspection on a written complaint lodged with it by any person, the Council —
- (a) shall require prima facie evidence that a ground of complaint exists; and
  - (b) may require the payment by that person to the Council of a reasonable sum to be fixed by it to cover the costs of the inspection, and the costs of the solicitor-trustee against whom the complaint is made.
- (6) The Council may deal with any sum so paid in such manner as it thinks fit.

(7) In this rule, "bank pass book" and "bank statement" mean, respectively, a pass book and a statement issued by a bank in respect of any client account maintained at such bank, and includes a pass book and a statement issued by an approved finance company in respect of a client account maintained at such finance company.

### **Requirements of Council — how made**

- 12.** Every requirement to be made by the Council of a solicitor-trustee under these Rules —
- (a) shall be made in writing under the hand of the Director or a member of the Council designated by the Council for the purpose; and
  - (b) may be served on the solicitor-trustee by sending the document by registered post to his usual or last known address.

### **Saving**

- 13.** Nothing in these Rules shall deprive a solicitor of any recourse or right, whether by way of lien, set-off, counter-claim, charge or otherwise, against moneys standing to the credit of a trust account.

*[G.N. Nos. S 203/85; S 381/98]*

LEGAL PROFESSION ACT  
(CHAPTER 161, SECTION 73(4))

LEGAL PROFESSION (ACCOUNTANT'S REPORT) RULES

R 10

Revised Edition 2010

(31st May 2010)

[8th August 1985]

**Citation**

1. These Rules may be cited as the Legal Profession (Accountant's Report) Rules.

**Definition**

2. In these Rules —
- “approved finance company” means any finance company registered under the Finance Companies Act (Cap. 108) which is approved by the Minister to accept either or both of the following:
- (a) deposits of client's money for the purposes of these Rules;
  - (b) deposits of conveyancing money for the purposes of these Rules and the Conveyancing and Law of Property (Conveyancing) Rules 2011 (G.N. No. S 391/2011);
- [S 182/2012 wef 04/05/2012]*
- “bank” has the same meaning as in the Banking Act (Cap. 19);
- “bank statement” means a statement issued by a bank in respect of any client account, conveyancing account or conveyancing (CPF) account maintained at such bank, and includes a statement issued by an approved finance company in respect of any client account, conveyancing account or conveyancing (CPF) account maintained at such finance company;
- [S 396/2011 wef 01/08/2011]*  
*[S 182/2012 wef 04/05/2012]*
- “Central Provident Fund Board” means the Central Provident Fund Board constituted under the Central Provident Fund Act (Cap. 36);
- [S 396/2011 wef 01/08/2011]*
- “client”, “client account”, “client's money” and “trust money” have the meanings respectively assigned to them by the Legal Profession (Solicitors' Accounts) Rules (R 8);
- “conveyancing account”, “conveyancing (CPF) account” and “conveyancing money” have the same meanings as in rule 2(2) of the Conveyancing and Law of Property (Conveyancing) Rules 2011;
- [S 396/2011 wef 01/08/2011]*  
*[S 182/2012 wef 04/05/2012]*
- “Public Accountants Oversight Committee” means the Public Accountants Oversight Committee appointed under section 4 of the Accountants Act (Cap. 2);
- “trust account” has the meaning assigned to it by the Legal Profession (Solicitors' Trust Accounts) Rules (R 9).

## Qualified accountant

- 3.— (1) An accountant shall be qualified to give an accountant's report on behalf of a solicitor if —
- (a) he is practising in Singapore and is authorised to practise as a public accountant under the Accountants Act;
  - (b) he has neither been at any time during the accounting period, nor subsequently, before giving the report, become —
    - (i) a partner or an employee of the solicitor or of any partner of his; or
    - (ii) a partner, a director, a member or an employee of a limited liability law partnership, a law corporation, a Joint Law Venture, a constituent foreign law practice (of a Joint Law Venture), a Qualifying Foreign Law Practice or a licensed foreign law practice in which the solicitor is a partner or director; and
  - (c) he is not subject to a notice of disqualification under paragraph (2) or under rule 11A(4) of the Legal Profession (Solicitors' Accounts) Rules.
- (2) Where —
- (a) the Public Accountants Oversight Committee has made a disciplinary order against a public accountant under section 52(2) of the Accountants Act (Cap. 2) or an equivalent provision under the repealed Accountants Act (Cap. 2, 2001 Ed.); or
  - (b) the Council is satisfied that a solicitor has not complied with the provisions of the Legal Profession (Solicitors' Accounts) Rules (R 8) in respect of matters not specified in an accountant's report and that the accountant who gave the report was negligent in giving the report, whether or not an application be made for a grant out of the Compensation Fund,
- the Council may, in its discretion, at any time notify the accountant that he is not qualified to give an accountant's report.
- (3) The Council may give notice, of the fact that an accountant is not qualified to give an accountant's report, to any solicitor who appears to the Council to be likely to engage or employ that accountant for the purpose of giving an accountant's report or to be a book-keeper for the purposes of rule 11(8) of the Legal Profession (Solicitors' Accounts) Rules.
- (4) After the accountant has been notified by the Council that he is not qualified to give an accountant's report and until such notice of disqualification has been withdrawn by the Council, he shall not —
- (a) be qualified to give an accountant's report; and
  - (b) be engaged or employed as a book-keeper for the purposes of rule 11(8) of the Legal Profession (Solicitors' Accounts) Rules.
- (5) In coming to its decision, the Council shall (if the decision is based on a matter referred to in paragraph (2)(a)) take into consideration any observation or explanation made or given by the accountant or on his behalf by the Public Accountants Oversight Committee.

## Duties of accountant

- 4.— (1) For the purpose of giving an accountant's report, an accountant shall ascertain from the solicitor particulars of all accounts (excluding trust accounts) maintained by the solicitor at any bank or with any approved finance company kept, maintained or operated by the



solicitor in connection with his practice at any time during the accounting period to which his report relates and, subject to paragraph (2), make the following examinations of the books, accounts and other relevant documents of the solicitor:

- (a) examine the book-keeping system in every office of the solicitor so as to enable the accountant to verify that such system complies with rule 11 of the Legal Profession (Solicitors' Accounts) Rules (R 8), and is so designed that —
  - (i) an appropriate ledger account is kept for each client;
  - (ii) such ledger accounts show separately from other information particulars of all client's money, conveyancing money and other money received, held or paid on account of each client; and  

*[S 396/2011 wef 01/08/2011]*
  - (iii) transactions relating to client's money and any other money dealt with through a client account, and transactions relating to conveyancing money dealt with through a conveyancing account or conveyancing (CPF) account, are recorded in the solicitor's books so as to distinguish such transactions from transactions relating to any other money received, held or paid by the solicitor;  

*[S 396/2011 wef 01/08/2011]*
- (b) make test checks of —
  - (i) postings to clients' ledger accounts from records of receipts and payments of —
    - (A) client's money and any other money dealt with through a client account; and
    - (B) conveyancing money dealt with through a conveyancing account or conveyancing (CPF) account; and
  - (ii) the costs of each client account, conveyancing account and conveyancing (CPF) account (if any) and of such records;  

*[S 396/2011 wef 01/08/2011]*
- (c) compare —
  - (i) a sample of lodgments into and payments from a client account (as shown in bank statements) with the solicitor's records of receipts and payments of client's money and any other money dealt with through the client account; and
  - (ii) a sample of lodgments into and payments from a conveyancing account or conveyancing (CPF) account (as shown in bank statements) with the solicitor's records of receipts and payments of conveyancing money dealt with through the conveyancing account or conveyancing (CPF) account, as the case may be; and  

*[S 396/2011 wef 01/08/2011]*
- (d) enquire into and test check the system of recording costs and of making transfers in respect of costs from each client account, conveyancing account and conveyancing (CPF) account (if any);  

*[S 396/2011 wef 01/08/2011]*
- (e) make a test examination of such documents as he shall request the solicitor to produce to him with the object of ascertaining and confirming —
  - (i) that the financial transactions, (including those giving rise to transfers from one ledger account to another) evidenced by such documents, are in accordance with the Legal Profession (Solicitors' Accounts) Rules; and
  - (ii) that the entries in clients' ledger accounts reflect those transactions in a manner complying with the Legal Profession (Solicitors' Accounts) Rules;
- (f) extract (or check extractions of) balances on the clients' ledger accounts during the accounting period under review at not fewer than 2 dates selected by the accountant (one of which may be the last day of the accounting period), and at each such date —

- (i) compare the total as shown by such ledger accounts of the liabilities to the clients (including those for whom trust money is held in a client account, or conveyancing money is held in a conveyancing account or conveyancing (CPF) account), with the cash book balances on every client account, conveyancing account, conveyancing (CPF) account (if any), client's fixed deposit account with a bank or approved finance company (including such a fixed deposit account in which trust money is held) and other fixed deposit account; and  
[S 396/2011 wef 01/08/2011]
  - (ii) reconcile such cash book balances and fixed deposit with confirmations obtained by the accountant direct from the bank or approved finance company;
  - (g) satisfy himself that reconciliation statements have been kept in accordance with rule 11(4) of the Legal Profession (Solicitors' Accounts) Rules (R 8);
  - (h) make a test examination of the clients' ledger accounts in order to ascertain whether the payments made from any client account, conveyancing account or conveyancing (CPF) account in respect of any client are in excess of the money held on behalf of that client in that account;  
[S 396/2011 wef 01/08/2011]
  - (i) peruse such office ledger and cash accounts and bank statements as the solicitor maintains with a view to ascertaining whether —
    - (i) any client's money has not been paid into a client account; or
    - (ii) any conveyancing money has not been paid into a conveyancing account or, if paid by the Central Provident Fund Board, into a conveyancing (CPF) account; and  
[S 396/2011 wef 01/08/2011]
  - (j) ask for such information and explanations as he may require arising out of sub-paragraphs (a) to (i).
- (2) Nothing in paragraph (1) shall require the accountant —
- (a) to extend his enquiries beyond the information contained in the relevant documents relating to any client's matter produced to him supplemented by such information and explanations as he may obtain from the solicitor;
  - (b) to enquire into the stocks, shares, other securities or documents of title held by the solicitor on behalf of his clients; or
  - (c) to consider whether the books or accounts of the solicitor have been properly written up in accordance with rule 11 of the Legal Profession (Solicitors' Accounts) Rules at any time other than the times as at which his examination of those books and accounts takes place.
- (3) If after making an examination under paragraph (1), it appears to the accountant that there is evidence that the Legal Profession (Solicitors' Accounts) Rules (R 8) have not been complied with, the accountant shall make such further examination as may be necessary in order to complete his report with or without qualification.

## Privilege

- 5.— (1) Nothing in these Rules shall deprive a solicitor of the right on the grounds of privilege as between solicitor and client to decline to produce to the accountant any document which the accountant may consider it necessary for him to inspect for the purposes of his examination in accordance with rule 4.

(2) Where the solicitor so declines, the accountant shall qualify his report to that effect setting out the circumstances.

### Accountant's report

6.— (1) An accountant's report delivered by a solicitor or a partner or director of a limited liability law partnership or law corporation under these Rules shall be in the form set out in the Schedule or in a form to the like effect approved by the Council.

(2) The accountant's report must include the identification number of the accountant giving the report.

### Where accountant's report unnecessary

7. The Council will, in each practice year, be satisfied that the delivery of an accountant's report under section 73(1) of the Act is unnecessary and shall not require evidence of that fact, in the case of any solicitor who —

(a) does not hold a practising certificate and —

(i) has never held one; or

(ii) having held one, has not practised in any Singapore law practice at any time during the accounting period ending on the date upon which he ceased to practise, or has delivered an accountant's report in respect of his practice in a Singapore law practice covering the accounting period ending on the date upon which he ceased to practise and to hold or receive client's money or conveyancing money, or both; or

*[S 396/2011 wef 01/08/2011]*

(b) holds a current practising certificate —

(i) for the first time;

(ii) for the first time, after having for 12 months or more ceased to do so; or

(iii) has satisfied the Council that —

(A) the Legal Profession (Solicitors' Accounts) Rules (R 8) are not applicable to him because he is employed only as an assistant solicitor by another solicitor or firm of solicitors or limited liability law partnership or law corporation and has not, during the period to which the said application relates, practised alone or in partnership or been held out to the public as a partner or director of a firm of solicitors, limited liability law partnership or law corporation or held or received client's money or conveyancing money; or

*[S 396/2011 wef 01/08/2011]*

(B) the Legal Profession (Solicitors' Accounts) Rules are not applicable to him because during the period to which the said application relates he has not practised as a solicitor alone or as a partner or director of a firm of solicitors, limited liability law partnership or law corporation or been held out to the public as a partner or director of a firm of solicitors, limited liability law partnership or law corporation or has not held or received client's money or conveyancing money.

*[S 396/2011 wef 01/08/2011]*

**Accounting period for solicitor exempted under rule 7 obliged to deliver first report**

8. — (1) In the case of a solicitor who —
- (a) becomes under an obligation to deliver his first accountant's report; or
  - (b) having been exempt under rule 7 from delivering an accountant's report in the preceding practice year, becomes under an obligation to deliver an accountant's report,
- the accounting period shall begin on the date upon which he first held or received client's money or conveyancing money, or, after such exemption, began again to hold or receive client's money or conveyancing money.

*[S 396/2011 wef 01/08/2011]*

(2) The accounting period referred to in paragraph (1) may cover less than 12 months and shall in other respects comply with the requirements of section 73(3) of the Act.

(3) In the case of a solicitor retiring from practice who, having ceased to hold or receive client's money or conveyancing money, or both, is under an obligation to deliver his final accountant's report, the accounting period —

- (a) shall end on the date upon which he ceased to hold or receive client's money or conveyancing money, or both;

*[S 396/2011 wef 01/08/2011]*

- (b) may cover less than 12 months; and

- (c) shall in all other respects comply with the requirements of section 73(3) of the Act.

*[S 396/2011 wef 01/08/2011]*

**Accounting period for other solicitors**

9. In the case of a solicitor who —
- (a) was not exempt under rule 7 from delivering an accountant's report in the preceding practice year; and
  - (b) since the expiry of the accounting period covered by his last accountant's report has become, or ceased to be, a member of a firm of solicitors or a partner or director of a limited liability law partnership or a law corporation,
- the accounting period may cover less than 12 months and shall in all other respects comply with the requirements of section 73(3) of the Act.

**Requirements of Council — how made**

10. Every requirement to be made by the Council of a solicitor under these Rules —
- (a) shall be made in writing under the hand of the Director or a member of the Council designated by the Council for the purpose; and
  - (b) may be served on the solicitor by sending the document by registered post to his usual or last known address.

**Notice given by Council to accountants**

11. Every notice to be given by the Council to an accountant under these Rules —

- (a) shall be in writing under the hand of the Director or a member of the Council designated by the Council for this purpose; and
- (b) may be served on the accountant by sending the notice by registered post to the address of the accountant as shown on the accountant's report or appearing in the Register of Public Accountants kept and maintained under the Accountants Act (Cap. 2).

### Power to waive provisions

12. The Council may, if it thinks fit in any particular case, waive any of the provisions of these Rules in writing, subject to such terms and conditions as the Council may impose.

## THE SCHEDULE

Rule 6(1)

### LEGAL PROFESSION ACT (CHAPTER 161)

### LEGAL PROFESSION

### (ACCOUNTANT'S REPORT) RULES

### ACCOUNTANT'S REPORT FOR SOLICITOR IN SINGAPORE LAW PRACTICE

*Note:* In the case of a Singapore law practice with a number of partners or directors, carbon copies of the report may be delivered provided paragraph 1 below is completed on each report with the name of the individual solicitor.

1. Solicitor's full name \_\_\_\_\_
2. Name(s) and address(es) of Singapore law practice \_\_\_\_\_

*Note:* All addresses in Singapore at which the solicitor practises must be covered by an accountant's report or reports.

3. State whether practising alone/in partnership/as a partner in a limited liability law partnership/as a director in a law corporation \_\_\_\_\_

4. Accounting period(s) \_\_\_\_\_

*Note:* The period(s) must comply with section 73 of the Legal Profession Act and the Legal Profession (Accountant's Report) Rules (R 10).

5. In compliance with section 73 of the Legal Profession Act and the Legal Profession (Accountant's Report) Rules, I have examined to the extent required by rule 4 of the said Rules the books, accounts and documents produced to me in respect of the above practice(s) of the abovenamed solicitor.

6. In so far as an opinion can be based on this limited examination, I am satisfied that during the abovementioned period(s) he has complied with the provisions of the Legal Profession (Solicitors' Accounts) Rules (R 8), except in so far as concerns —

- \*(a) certain trivial breaches due to clerical errors or mistakes in book-keeping, all of which were rectified on discovery and none of which, I am satisfied, resulted in any loss to any client;
- \*(b) the matters set out in the First Section hereof, in respect of which I have not been able to satisfy myself for the reasons therein stated;
- \*(c) the matters set out in the Second Section hereof, in respect of which it appears to me that the solicitor has not complied with the provisions of the Legal Profession (Solicitors' Accounts) Rules.

7. The results of the comparisons required under rule 4(1)(f) of the Legal Profession (Accountant's Report) Rules (R 10), at the dates selected by me were as follows:

(a)	at _____								
*(i)	the figures were in agreement;								
*(ii)	there was a difference computed as follows:								
	<table> <tr> <td>Liabilities to clients as shown by clients' ledger accounts</td><td>\$</td></tr> <tr> <td>Total amount of cash held in every client account, conveyancing account and conveyancing (CPF) account, after allowance for outstanding cheques and lodgments cleared after date</td><td>\$</td></tr> <tr> <td></td><td>_____</td></tr> <tr> <td></td><td>\$</td></tr> </table>	Liabilities to clients as shown by clients' ledger accounts	\$	Total amount of cash held in every client account, conveyancing account and conveyancing (CPF) account, after allowance for outstanding cheques and lodgments cleared after date	\$		_____		\$
Liabilities to clients as shown by clients' ledger accounts	\$								
Total amount of cash held in every client account, conveyancing account and conveyancing (CPF) account, after allowance for outstanding cheques and lodgments cleared after date	\$								
	_____								
	\$								

(a)	at _____								
*(i)	the figures were in agreement;								
*(ii)	there was a difference computed as follows:								
	<table> <tr> <td>Liabilities to clients as shown by clients' ledger accounts</td><td>\$</td></tr> <tr> <td>Total amount of cash held in every client account, conveyancing account and conveyancing (CPF) account, after allowance for outstanding cheques and lodgments cleared after date</td><td>\$</td></tr> <tr> <td></td><td>_____</td></tr> <tr> <td></td><td>\$</td></tr> </table>	Liabilities to clients as shown by clients' ledger accounts	\$	Total amount of cash held in every client account, conveyancing account and conveyancing (CPF) account, after allowance for outstanding cheques and lodgments cleared after date	\$		_____		\$
Liabilities to clients as shown by clients' ledger accounts	\$								
Total amount of cash held in every client account, conveyancing account and conveyancing (CPF) account, after allowance for outstanding cheques and lodgments cleared after date	\$								
	_____								
	\$								

8.\* (a) Having retired from active practice as a solicitor, the said \_\_\_\_\_  
\_\_\_\_\_ ceased to hold client's money or  
conveyancing money, or both, on \_\_\_\_\_

\*(b) Having ceased to practise under the style or as a partner/director of \_\_\_\_\_  
\_\_\_\_\_ the said  
\_\_\_\_\_ ceased to hold client's money or conveyancing money,  
or both, on \_\_\_\_\_

*Particulars of Accountant:*

Full Name \_\_\_\_\_

Singapore NRIC No./FIN \_\_\_\_\_

Qualifications \_\_\_\_\_

Firm Name and Address \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

To:  
The Council,  
The Law Society of Singapore,  
Singapore.

FIRST SECTION

Matters in respect of which the accountant has been unable to satisfy himself and the reasons  
for the inability:

SECOND SECTION

Matters (other than trivial breaches) in respect of which it appears to the accountant that the  
solicitor has not complied with the provisions of the Legal Profession (Solicitors' Accounts) Rules (R  
8):

\*Delete whichever is inapplicable.

[S 396/2011 wef 01/08/2011]

LEGAL PROFESSION ACT  
(CHAPTER 161, SECTION 72(1))

LEGAL PROFESSION (DEPOSIT INTEREST) RULES

R 5

Revised Edition 2010

(31st May 2010)

[15th August 1970]

**Citation**

1. These Rules may be cited as the Legal Profession (Deposit Interest) Rules.

**Fixed deposits and interest payable**

- 2.— (1) Subject to rule 4, a solicitor who receives any money exceeding the threshold amount for or on account of any particular client to hold in the applicable circumstances —
- (a) must —
    - (i) deposit the money separately in a bank or an approved finance company by way of fixed deposit repayable on demand in compliance with paragraph (3); and
    - (ii) account to the client for all interest earned on the money deposited; or
  - (b) must pay to the client out of the solicitor's own money the amount of the interest which would have accrued for the client's benefit if the money had been deposited in accordance with sub-paragraph (a)(i).
- (2) However, subject to rule 4, if a solicitor receives, on or after 1 December 2015, any money not exceeding the threshold amount but more than \$5,000 (or the equivalent in foreign currency on the date of receipt) for or on account of any particular client to hold in the applicable circumstances, and chooses to deposit the money by way of fixed deposit, the solicitor must —
- (a) deposit the money separately in a bank or an approved finance company by way of fixed deposit repayable on demand in compliance with paragraph (3); and
  - (b) account to the client for all interest earned on the money deposited.
- (3) Every fixed deposit referred to in paragraph (1)(a) or (2)(a) must be —
- (a) in the name of —
    - (i) the solicitor receiving money for or on account of the client; or
    - (ii) the solicitor's law practice; and
  - (b) in the name of the client or the matter concerned.
- (4) In this rule —  
"applicable circumstances", for a solicitor who receives money for or on account of a client, means circumstances in which —



- (a) the solicitor knows, from the instructions to the solicitor when receiving the sum of money, that the sum will not, within 4 months after the receipt of the sum, be withdrawn in whole or reduced to a sum below the threshold amount (if paragraph (1) applies) or \$5,000 (if paragraph (2) applies) for or on account of the client; and
- (b) the sum of money is not so withdrawn or reduced within that 4 months;

"approved finance company" means a finance company registered under the Finance Companies Act (Cap. 108) which is approved by the Minister to accept deposits of client's money for the purpose of these Rules;

"law practice", in relation to a solicitor, means —

- (a) the law firm of which the solicitor is the sole proprietor, a partner or an employee;
- (b) the law corporation of which the solicitor is a director or an employee; or
- (c) the limited liability law partnership of which the solicitor is a partner or an employee;

"threshold amount", for money received by a solicitor for or on account of a particular client, means —

- (a) \$5,000 (or the equivalent in foreign currency on the date of receipt) if received from that client before 1 December 2015; or
- (b) \$20,000 (or the equivalent in foreign currency on the date of receipt) if received from that client on or after 1 December 2015.

[S 724/2015 wef 01/12/2015]

## Client's remedies

- 3.— (1) Without prejudice to any other remedy which may be available to him, any client who feels aggrieved that interest, or a sum equivalent thereto, has not been paid to him under these Rules shall be entitled to require the solicitor to obtain a certificate from the Council as to whether or not interest ought to have been earned for him.

(2) If so, the amount of such interest and on the issue of such a certificate the sum certified to be due shall be payable by the solicitor to the client.

## Saving and application

- 4.— (1) Nothing in these Rules shall affect any arrangement in writing whenever made between a solicitor and his client as to the application of the client's money or interest thereon.

(2) These Rules do not apply to —

- (a) money received by a solicitor which is subject to a trust of which the solicitor is a trustee; or
- (b) conveyancing money received by a solicitor.

(3) In this rule, "conveyancing money" has the same meaning as in rule 2(2) of the Conveyancing and Law of Property (Conveyancing) Rules 2011 (G.N. No. S 391/2011)

[S 394/2011 wef 01/08/2011]

[G. N. Nos. S 194/70; S 379/98; S 658/2006]

## ***GLOSSARY OF TECHNICAL TERMINOLOGY***

These definitions are given specifically to assist in the understanding of the technical terms used in the guidebook.

<b>Account</b>	A record of one or more business transactions to enable a balance to be taken at any moment in time.
<b>Accountancy</b>	The process of analyzing, classifying and recording transactions and operations in terms of time, quantity and money.
<b>Accounting Period</b>	The period for which final accounts are customarily prepared.
<b>Accounting System</b>	The day-to-day method by which transactions are recorded and ultimately appear in the financial accounts.
<b>Age Analysis</b>	Usually used on a schedule of Bills Ledger balances to indicate the age of the balances outstanding (e.g. one month old, two months, over six months, etc.)
<b>Audit</b>	An examination by an independent qualified expert (the auditor) of the accounts and supporting records prepared by a firm's management and the accounting principles and policies underlying them.
<b>Auditor</b>	The person who conducts the audit.
<b>Balance (noun)</b>	The net difference between the debit and credit sides of an account.
<b>Balance (verb)</b>	To total the debits and credits in a ledger account and to enter, as a balance, the difference between the two.
<b>Balance Sheet</b>	A statement showing the assets and liabilities of the business at any particular moment in time.
<b>Bank Reconciliation</b>	A statement explaining the difference between the balance of an account as reported by a bank and the account appearing in the books of the solicitor (see reconciliation statement).
<b>Bills Delivered Book</b>	A book of prime entry used to record, analyse and summarise all the bills raised by a solicitor to his client.
<b>Bills Ledger</b>	Provides details of bills rendered to individual clients and of payments received from them.
<b>Book-Keeping</b>	The technique of keeping accounts – of recording in a regular concise and accurate manner the business transactions of an entity in a set of books kept for the purpose.
<b>Books of Account</b>	A set of books which record the business transactions of a firm company, etc (see book-keeping)
<b>Books of Prime Entry</b>	Books into which transaction are initially recorded according to their type.
<b>Cash Book</b>	A book in which an account (record) is kept of all receipts and payments of money, by cash or cheque.

<b>Clients' Ledger</b>	Provide details of receipts and payments of money from clients.
<b>Control Account</b>	An account in the General Ledger which shows a summary of the transactions included in the Subsidiary Ledger. The sum total of the balances of the Subsidiary Ledger accounts would equal the balance shown in the control account.
<b>Credit (noun)</b>	An entry on the right hand side of a ledger account.
<b>Credit (verb)</b>	To "credit" an account is to make an entry on the right hand side to show income or a liability.
<b>Creditor</b>	One to whom money is owed for goods, cash, services, etc.
<b>Creditors Ledger</b>	A book of account which records the transactions relating to the credit supplies of goods or services
<b>Debit (noun)</b>	An entry on the left hand side of a ledger account to show payment or an asset.
<b>Debit (verb)</b>	To "debit" an account is to make an entry on the left hand side.
<b>Debtor</b>	One who owes money for goods, cash, services supplied.
<b>Entry</b>	The record of a transaction in a book of account.
<b>Imprest System</b>	Method by which a fixed amount is advanced, and the expenditure from the amount at the end of the month or period reimbursed, so that the month or periodic balance remains the same (frequently used for petty cash floats).
<b>Invoice</b>	A document showing the character, price terms, nature and other particulars of services rendered.
<b>Journal</b>	Literally, the book containing an account of each day's transactions. Now used for the entry of such transactions as cannot be entered in the Bills Ledger or Cash Books.
<b>Ledger</b>	A collection of accounts. The principle book of account in which the entries from all the other books are summarized and divided into Cash Book, Purchase Ledger, Bills Ledger and General Ledger.
<b>Ledger Account</b>	A record in the ledger showing one of the two aspects of each transaction or group of transactions (see all "Account")
<b>Lodgement</b>	A payment into the bank for the credit of a specified account
<b>Net</b>	The amount of any charge or cost after all deductions have been made.
<b>Petty Cash Book</b>	A book subsidiary to the Cash Book, in which are recorded all small cash payments.
<b>Posting</b>	The transfer of entries from the books of prime entry to their separate accounts in the ledgers
<b>Profit &amp; Loss Account</b>	A summary account of all revenue and expenditure accounts, showing, as its balance, the profit (or loss) of the accounting period.
<b>Purchases Journal</b>	A book of prime entry, used to list, analyse and summarise all purchases and services supplied on credit.

<b>Reconciliation Statement</b>	A statement showing the process whereby the balances of two accounts, independently written up in respect of the same transactions, which show an apparent discrepancy are brought into agreement. The most common reconciliation statement is that used to bring into agreement the Cash Book and Bank Statement Balances (see "Bank Reconciliation").
<b>Reconcile (verb)</b>	To ascertain the precise components of the difference between two related figures produced independently of each other.
<b>Schedule</b>	A detailed list of items, on a properly headed working paper, totaled to agree with the figure that is being analysed or supported, and cross referenced.
<b>Statement of Account</b>	An account, periodically rendered showing the amounts due by one person or firm to another. Generally, a statement contains only the dates and amount of each invoice sent since the previous settlement.
<b>Suspense Account</b>	A temporary account for a posting which requires further investigation prior to posting it to the correct account (moneys received by the firm but cannot be identified as to why or from whom).
<b>Total Accounts (or Control Accounts)</b>	A memorandum account consisting of totals of all items debited or credited to a number of individual accounts in a ledger, so that the total account may represent the individual accounts when drafting financial statements. Frequently used for Bills and Purchases Ledgers and may be utilised to provide a means of control where one clerk writes up the individual accounts in a ledger and another independently maintains a total account for that ledger.
<b>Transfer</b>	An amount taken from one account and restated in another.
<b>Trail Balance</b>	A summary listing of all balances in the ledgers of a business to prove the arithmetical accuracy and the completion of the double entry.



