

Solicitors' Accounts Regulations 2014

The Council of the Law Society of Northern Ireland in pursuance of the power conferred on them by Articles 74(1) and 75 of the Solicitors (Northern Ireland) Order 1976 (as amended) and paragraph 6 of Schedule 15 to the Financial Services Act 1986 and all other powers enabling them in that behalf and with the concurrence of the Lord Chief Justice of Northern Ireland, hereby makes under Articles 33, 34 and 35 of the said Order the following Regulations:

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Part A - General

Regulation 1.1 - Title

These Regulations shall be cited as the Solicitors' Accounts Regulations 2014 ("the Regulations") and shall apply in accordance with the provisions of Regulation 43 hereof.

Regulation 1.2 - Interpretation

(1.2.1) In these Regulations, unless the context otherwise requires:

(1.2.1.1) "accounting period" has the meaning given in Regulation 30;

(1.2.1.2) "bank" means a branch situated in Northern Ireland of any financial institution recognised by the Bank of England under the Banking Act 1987.

(1.2.1.3) "building society" means a branch situated in Northern Ireland of any building society within the meaning of the Building Societies Act 1986;

(1.2.1.4) "client" means any person as defined under the Order for whom a solicitor acts;

(1.2.1.5) "client account" means an account of a principal kept at a bank or building society by a principal for holding client money and/or controlled trust money, in accordance with the requirements of these Regulations.

(1.2.1.6) "client money" means money held or received for a client, and all other money which is not controlled trust money or office money;

(1.2.1.7) "company" means a company within the meaning of the Companies Act 2006

(1.2.1.8) a "controlled trust" arises when:

(1.2.1.8.1) a solicitor of the Court of Judicature is the sole trustee of a trust, or co-trustee only with one or more of his or her partners or employees;

(1.2.1.8.2) a recognised body which is a company is the sole trustee of a trust, or co-trustee only with one or more of the recognised body's officers or employees; or

(1.2.1.8.3) a recognised body which is a limited liability partnership is the sole trustee of a trust, or co-trustee only with one or more of the recognised body's members or employees; and

(1.2.1.8.4) "controlled trustee" means a trustee of a controlled trust;

(1.2.1.9) "controlled trust money" means money held or received for a controlled trust;

(1.2.1.10) "costs" means a solicitor's fees and disbursements;

(1.2.1.11) "Controller" means a person so appointed pursuant to Article 101 of the Mental Health (NI) Order 1986 to exercise the powers contained in Article 98 and 99 thereof.

(1.2.1.12) "disbursement" means any sum spent or to be spent by a solicitor on behalf of a client or controlled trust (including any VAT element);

(1.2.1.13) "fees" of a solicitor means the solicitor's own charges or profit costs (including any VAT element);

(1.2.1.14) "general client account" has the meaning given in regulation 12.3.2;

(1.2.1.15) "mixed payment" is one which includes client money or controlled trust money as well as office money;

(1.2.1.16) "office account" means an account of the solicitor or the practice for holding office money, or other means of holding office money;

(1.2.1.17) "office money" means money which belongs to the solicitor;

(1.2.1.18) "the Order" shall mean the Solicitors (Northern Ireland) Order 1976 (as amended);

(1.2.1.19) "partnership" means an unincorporated partnership and does not include a limited liability partnership, and "partner" is to be construed accordingly;

(1.2.1.20) "principal" means:

(1.2.1.20.1) a sole practitioner;

(1.2.1.20.2) a partner or a person held out as a partner;

(1.2.1.20.3) a director of a recognised body which is a company; or

(1.2.1.20.4) a member of a recognised body which is a limited liability partnership.

(1.2.1.21) "professional disbursement" means the fees of counsel or other lawyer, or of a professional or other agent or expert instructed by the solicitor;

(1.2.1.22) "recognised body" means a company or limited liability partnership recognised by the Society under the Solicitors' (Incorporated Practice) Regulations 2007;

(1.2.1.23) "registered European lawyer" means a person registered by the Society under regulation 3 of the Law Society of Northern Ireland European Communities (Lawyer's Practice) Regulations 2000;

(1.2.1.24) "separate designated client account" has the meaning given in regulation 12.3.1;

(1.2.1.25) "solicitor" means a solicitor of the Court of Judicature of Northern Ireland; and for the purposes of these Regulations also includes: a registered European lawyer, a recognised body, and a partnership including at least one solicitor of the Court of Judicature or recognised body;

(1.2.1.26) "Court of Judicature" has the meaning given in the Judicature (Northern Ireland) Act 1978;

(1.2.1.27) "trustee" includes a personal representative; and

(1.2.1.28) "without delay" means, in normal circumstances, either on the day of receipt or on the next working day.

(1.2.2) Other expressions in these Regulations shall, except where otherwise stated, have the meanings assigned to them by the Solicitors (Northern Ireland) Order 1976 (as amended).

(1.2.3) The Interpretation Act (Northern Ireland) 1954 shall apply to these Regulations as it does to an act of the Northern Ireland Assembly.

Regulation 2 - Principles

The following principles must be observed. A principal must:

(2.1) comply with the requirements of Regulation 12 of the Solicitors' Practice Regulations 1987;

(2.2) keep other people's money separate from money belonging to the principal;

(2.3) keep other people's money in a bank or building society account identifiable as a client account (except when these Regulations specifically provide otherwise);

(2.4) use each client's money for that client's matters only;

(2.5) use controlled trust money for the purposes of that trust only;

(2.6) establish and maintain proper accounting systems, and proper internal controls over those systems, to ensure compliance with these Regulations;

(2.7) keep proper accounting records to show accurately the position with regard to the money held for each client and each controlled trust;

(2.8) account for interest on other people's money in accordance with these Regulations;

(2.9) co-operate with the Society in checking compliance with these Regulations; and

(2.10) deliver annual Accountant's Reports as required by these Regulations.

Regulation 3 - Persons governed by these Regulations

(3.1) These Regulations apply to:

(3.1.1) any solicitor who is qualified in accordance with Article 4 of the Order and who is:

(3.1.1.1) a principal;

(3.1.1.2) an assistant, associate, consultant or locum employed by a principal;

(3.1.1.3) a director of a recognised body which is a company; or

(3.1.1.4) a member of a recognised body which is a limited liability partnership;

(3.1.2) recognised bodies:

(3.2) Part F of these Regulations (Accountants' Reports) also applies to reporting accountants.

Regulation 4 - Principals' responsibility for compliance

(4) All principals must ensure compliance with these Regulations. This duty also extends to the directors of a recognised body which is a company, or to the members of a recognised body which is a limited liability partnership, and to the recognised body itself.

Regulation 5 - Duty to remedy breaches

(5.1) Any breach of these Regulations must be remedied promptly upon discovery. This includes the replacement of any money improperly withheld or withdrawn from a client account.

(5.2) The duty to remedy breaches rests not only on the person causing the breach, but also on each principal. This duty extends to immediately replacing promptly and without delay missing client money or controlled trust money from the principals' own resources, even if the money has been misappropriated by an employee or fellow principal, and whether or not recovery is available from a third party.

(5.3) In the case of a recognised body, this duty falls on the directors of a recognised body which is a company, or to the members of a recognised body which is a limited liability partnership, and to the recognised body itself.

Regulation 6 - Controlled Trustees

(6) A solicitor who in the course of practice acts as a Controlled Trustee must treat the controlled trust money as if it were client money, except when these Regulations provide to the contrary.

Regulation 7 - Liquidators, Trustees in Bankruptcy, Insolvency Practitioners, Controllers and Trustees of occupational pension schemes

(7.1) A solicitor who in the course of practice acts as:

(7.1.1) a Liquidator,

(7.1.2) a Trustee in Bankruptcy,

(7.1.3) an Insolvency Practitioner

(7.1.4) a Controller; or

(7.1.5) a Trustee of an occupational pension scheme which is subject to article 47(1)(a) (appointment of an auditor) and article 49(1) (a) (separate bank account) and regulations under article 49(2)(b) (books and records) of the Pensions (NI) Order 1999.

must comply with these regulations.

Regulation 8 - Joint accounts and Joint Deposit Receipts

Holding of joint accounts

(8.1) If a solicitor acting in a client's matter holds or receives money jointly with the client, another solicitors' practice or another third party, these Regulations in general do not apply, but the following must be complied with:

(8.1.1) regulation 26.3 - bills and notifications of costs;

(8.1.2) regulation 26.7.2 - retention of statements and passbooks;

(8.1.3) regulation 28 - production of records; and

(8.1.4) regulation 37.1.13 and 37.1.16 - reporting accountant to check compliance.

Operation of the joint account by the solicitor only

(8.2) If the joint account is operated only by the solicitor, the solicitor must ensure that he receives the statements from the financial institution, or has possession of any passbooks.

Shared operation of the joint account

(8.3) If the solicitor shares the operation of the joint account with the client, another solicitor's practice or another third party, the solicitor must:

(8.3.1) seek to obtain the statements or duplicate statements from the financial institution and retain them in accordance with regulation 26.7.2; and

(8.3.2) seek to obtain possession of any passbooks, or take copies of the passbook entries before handing any passbook to the other signatory, and retain them in accordance with regulation 26.7.2.

Operation of the joint account by the other account holder

(8.4) If the joint account is operated solely by the other account holder, the solicitor must seek to obtain the statements or duplicate statements from the financial institution and retain them in accordance with regulation 26.7.2.

Holding of Joint Deposit Receipts

(8.5) If a solicitor acting in a client's matter holds or receives a joint deposit receipt with the client, another solicitors' practice or another third party, these Regulations in general do not apply, but the solicitor must: -

(8.5.1) record and account for the money in accordance with these Regulations in their entirety; and

(8.5.2) where the money is held by another solicitor Regulations 8.3; 26.7.2; 28; 37.1.13; and 37.1.16; apply.

Regulation 9 - Operation of a client's own account

(9.1) If a solicitor operates a client's own account as signatory the following must be complied with:

(9.1.1) regulation 27.1 and 27.2 - accounting records for clients' own accounts;

(9.1.2) regulation 28 - production of records; and

(9.1.3) regulation 37.1.13 and 37.1.16 - reporting accountant to check compliance.

Operation by the solicitor only

(9.2) If the account is operated by the solicitor only, the solicitor must ensure that he receives the statements from the financial institution, and has possession of any passbooks.

Shared operation of the account

(9.3) If the solicitor shares the operation of the account with the client or a co-attorney outside the solicitor's practice, the solicitor must:

(9.3.1) seek to obtain the statements or duplicate statements from the financial institution and retain them in accordance with regulation 27.1 and 27.2; and

(9.3.2) seek to obtain possession of any passbooks, or take copies of the passbook entries before releasing them and retain such copies in accordance with regulation 27.1 and 27.2.

Operation of the account for a limited purpose

(9.4) If the solicitor is given authority (whether as attorney or otherwise) to operate the account for a limited purpose only, the solicitor need not receive statements or possess passbooks, provided that he retains details of all cheques drawn or paid in, and retains copies of all passbook entries, relating to the transaction, and retains them in accordance with regulation 27.1 and 27.2.

Regulation 10 - Solicitor's rights not affected

(10) Nothing in these Regulations deprives a solicitor of any recourse or right, whether by way of lien, set off, counterclaim, charge or otherwise, against money standing to the credit of a client account.

Regulation 11 - Categories of money

(11) All money held or received by the solicitor falls into one of the following categories:

(11.1) "client money";

(11.2) "controlled trust money"; or

(11.3) "office money";

as defined in Regulation 1.2.

Part B - Client money, controlled trust money and operation of a client account

Regulation 12 - Client accounts

(12.1) A principal who holds or receives client money and/or controlled trust money must keep one or more client accounts as defined in Regulation 1.2 unless all the client money and controlled trust money is always dealt with outside any client account in accordance with regulation 8, regulation 9 or regulations 15 to 17.

(12.2) The client account(s) of:

(12.2.1) a sole practitioner must be either in the solicitor's own name or in the practice name;

(12.2.2) a partnership must be in the firm name;

(12.2.3) a recognised body must be in the company name, or the name of the limited liability partnership;

and the name of the account must also include the word "client".

(12.3) There are two types of client account:

(12.3.1) a "separate designated client account" is a deposit or share account for money relating to a single client, or a current, deposit or share account for money held for a single controlled trust; and which includes in its title, in addition to the requirements of regulation 12.2 above, a reference to the identity of the client or controlled trust; and

(12.3.2) a "general client account" is any other client account.

Regulation 13 - Use of a client account

(13.1) Client money and controlled trust money must without delay be paid into a client account, and must be held in a client account, except when these Regulations provide to the contrary (see regulations 15 to 17).

(13.2) Only client money or controlled trust money may be paid into or held in a client account, except:

(13.2.1) an amount of the solicitor's own money required to open or maintain the account;

(13.2.2) an advance from the solicitor to fund a payment on behalf of a client or controlled trust in excess of funds held for that client or controlled trust;

(13.2.3) money to replace any sum which for any reason has been drawn from the account in breach of regulation 16;

(13.2.4) a sum in lieu of interest which is paid into a client account for the purpose of complying with regulation 21.2 as an alternative to paying it to the client direct;

(13.2.5) in no circumstances may money not relating to a current or ongoing matter or transaction be held in or transacted through any client account.

(13.3) Where monies drawn on the office account for payment to a client, or to any other person on behalf of that client, have not been encashed within six months of being drawn and where the solicitor has been previously put in funds to meet such payment, an equivalent sum shall be transferred to the client account as soon as is practicable.

(13.4) Client money must be returned to the client (or other person on whose behalf the money is held) promptly, as soon as there is no longer any proper reason to retain those funds. Payments received after the solicitor has already accounted to the client, for example by way of a refund, must be paid to the client promptly.

(13.5) A solicitor must promptly inform a client (or other person on whose behalf the money is held) in writing of the amount of any client money retained at the end of a matter (or the substantial conclusion of a matter), and the reason for that retention.

Regulation 14 - Client money withheld from client account on client's instructions

(14.1) Client money may be:

paid into an account at a financial institution opened in the name of the client or of a person designated by the client; but only if the client instructs the solicitor to that effect for the client's own convenience, and only if the instructions are given in writing, or are given by other means and confirmed by the solicitor to the client in writing.

(14.2) It is improper to seek blanket agreements, through standard terms of business or otherwise, to hold client money outside a client account.

Regulation 15 - Other client money withheld or withdrawn from a client account

(15) The following categories of client money may be withheld or withdrawn from a client account:

(15.1) cash received and without delay paid in cash in the ordinary course of business to the client or, on the client's behalf, to a third party;

(15.2) a cheque or draft received and endorsed over in the ordinary course of business to the client or, on the client's behalf, to a third party;

(15.3) unpaid professional disbursements included in a payment of costs dealt with under regulation 17.1.1;

(15.4) money withdrawn from a client account on the written authorisation of the Society.

(15.5) in all circumstances where money is withdrawn in accordance with Regulation 15.4, the solicitor will be taken as having provided an indemnity against any legitimate claim subsequently made for the sum in question.

Regulation 16 - Controlled trust money withheld or withdrawn from a client account

(16) The following categories of controlled trust money may be withheld or withdrawn from a client account:

(16.1) cash received and without delay paid in cash in the execution of the trust to a beneficiary or third party;

(16.2) a cheque or draft received and without delay endorsed over in the execution of the trust to a beneficiary or third party;

(16.3) money which, in accordance with the trustee's powers, is paid into or retained in an account of the trustee which is not a client account (for example, an account outside Northern Ireland), or properly retained in cash in the performance of the trustee's duties;

(16.4) money withheld from a client account on the written authorisation of the Society

(16.5) in all circumstances where money is withdrawn in accordance with Regulation 16.4 the solicitor will be taken as having provided an indemnity against any legitimate claim subsequently made for the sum in question.

Regulation 17 - Receipt and transfer of costs

(17.1) A solicitor who receives money paid in full or part settlement of the solicitor's bill (or other notification of costs) must follow one of the following two options:

(17.1.1) determine the composition of the payment without delay, and deal with the money accordingly:

(17.1.1.1) if the sum comprises office money only, it may be placed in an office account;

(17.1.1.2) if the sum comprises only client money, the entire sum must be placed in a client account;

(17.1.1.3) if the sum includes both office money and client money the solicitor must follow regulation 18 (receipt of mixed payments);
or

(17.1.2) pay the entire sum into a client account (regardless of its composition), and transfer any office money out of the client account within 10 working days of receipt and account for any outstanding disbursement promptly.

(17.2) A solicitor who requires payment of his fees from money held for the client or controlled trust in a client account must first give or send a bill of costs, or other written notification of the costs incurred, to the client or the paying party.

(17.3) Once the solicitor has complied with paragraph 17.2 above, the money earmarked for costs becomes office money and must be transferred out of the client account within 10 working days.

(17.4) A payment on account of costs is client money, and must be held in a client account until the solicitor has complied with paragraph 17.2 above.

Regulation 18 - Receipt of mixed payments

(18.1) A mixed payment must either:

(18.1.1) be split between a client account and office account as appropriate; or

(18.1.2) be placed without delay in a client account.

(18.2) If the entire payment is placed in a client account, all office money must be transferred out of the client account to an office account within 10 working days of receipt.

Regulation 19 - Withdrawals from a client account

(19.1) Client money may only be withdrawn from a client account when it is:

(19.1.1) properly required for a payment to or on behalf of the client (or other person on whose behalf the money is being held);

(19.1.2) properly required in full or partial reimbursement of money spent by the solicitor on behalf of the client;

(19.1.3) transferred to another client account;

(19.1.4) withdrawn on the client's instructions, given in writing, or given by other means and confirmed by the solicitor to the client in writing;

(19.1.5) a refund to the solicitor of an advance no longer required to fund a payment on behalf of a client (see 13.2.2);

(19.1.6) money which has been paid into the account in breach of these Regulations;

(19.1.7) money not covered by 19.1.1 to 19.1.6 above, withdrawn from the account on the authorisation of the Society

(19.1.8) in all circumstances where money is withdrawn in accordance with Regulation 19.1.7 the solicitor will be taken as having provided an indemnity against any legitimate claim subsequently made for the sum in question.

(19.2) Controlled trust money may only be withdrawn from a client account when it is:

(19.2.1) properly required for a payment in the execution of the particular trust;

(19.2.2) properly required in full or partial reimbursement of money spent by the solicitor on behalf of the particular trust;

(19.2.3) transferred to another client account;

(19.2.4) transferred to an account other than a client account

(19.2.5) a refund to the solicitor of an advance no longer required to fund a payment on behalf of a controlled trust (see regulation 13.2.2);

(19.2.6) money which has been paid into the account in breach of these Regulations; or

(19.2.7) money not covered by 19.2.1 to 19.2.6 above, withdrawn from the account on the written authorisation of the Society

(19.2.8) in all circumstances where money is withdrawn in accordance with Regulation 19.2.7 the solicitor will be taken as having provided an indemnity against any legitimate claim subsequently made for the sum in question.

(19.3) Office money may only be withdrawn from a client account when it is:

(19.3.1) money properly paid into the account to open or maintain it under regulation 13.2.1;

(19.3.2) properly required for payment of the solicitor's costs under regulation 17.2 and 17.3;

(19.3.3) the whole or part of a payment into a client account under regulation 17.1.2;

(19.3.4) part of a mixed payment placed in a client account under regulation 18.1.2; or

(19.3.5) money which has been paid into a client account in breach of these Regulations.

(19.4) Money which has been paid into a client account in breach of these Regulations must be withdrawn from the client account within 14 days upon discovery.

(19.5) Money withdrawn in relation to a particular client or controlled trust from a general client account must not exceed the money held on behalf of that client or controlled trust in all the solicitor's general client accounts.

(19.6) Money held for a client or controlled trust in a separate designated client account must not be used for payments for another client or controlled trust.

(19.7) Where monies have been withdrawn from the client account on foot of a cheque which has not been encashed within 6 months of being drawn, the original payment should be cancelled and the payment immediately reissued.

Regulation 20 - Method of and authority for withdrawals from client account

(20.1) No money may be withdrawn from a bank or building society account, being or forming part of a client account, otherwise than under the authorisation of at least one of the following:

(20.1.1) a principal; or

(20.1.2) an employee of such a principal, having his employer's authority to do so.

(20.2) There is no need to comply with paragraph 20.1 above when transferring money from one general client account to another general client account at the same bank or building society.

(20.3) A withdrawal from a client account in favour of the solicitor must be either by way of a cheque, or by way of a transfer to the office account. The withdrawal must not be made in cash.

(20.4) Where a withdrawal from a client account is made by way of a cheque in favour of a financial or other institution, the name and/or number of the relevant account should be added after the payee's name.

Part C - Interest

Regulation 21 - When interest must be paid

(21.1) Subject to the provisions of any Guidance issued in accordance with Regulation 21.3 when a solicitor holds money in a separate designated client account for or on account of a client, the solicitor must account to the appropriate person or body for all interest earned on the account.

(21.2) Subject to the provisions of any Guidance issued in accordance with Regulation 21.3 when a solicitor holds money in a client account for a client, (or if money should have been held for or on behalf of a client in a client account but was not), the solicitor must account to the appropriate person or body for a sum in lieu of interest calculated in accordance with regulation 22.

(21.3) The Council will, from time to time, issue Guidances which will form part of these Regulations and will set out the circumstances in which interest is payable, taking into account the amount of money involved and the length of time for which it is held.

(21.4) (21.4.1) If a solicitor holds money for a client in an account opened on the instructions of the client under regulation 14.1, the solicitor must account to the client for all interest earned on the account.

(21.4.2) If a solicitor has failed to comply with instructions to open an account under regulation 14.1, the solicitor must account to the client for a sum in lieu of any net loss of interest suffered by the client as a result.

(21.5) This regulation does not apply to controlled trust money where money is not held in a client account.

Regulation 22 - Amount of interest

(22.1) Solicitors must aim to obtain a reasonable rate of interest on money held in a separate designated client account, and must account for a fair sum in lieu of interest on money held in a general client account (or on money which should have been held in a client account but was not).

(22.2) The sum in lieu of interest for money held in a client account (or on money which should have been held in a client account but was not) must be calculated:-

(22.2.1) on the balance or balances held over the whole period

(22.2.2) at a rate not less than that which would have been earned if the money had been held in a separately designated client account appropriate to the matter or transaction and taking into account any Guidance issued in accordance with Regulation 21.3.

Regulation 23 - Interest certificates

(23) Without prejudice to any other remedy:

(23.1) any client, including one of joint clients, or a person funding all or part of a solicitor's fees, may apply to the Society for a certificate as to whether or not interest, or a sum in lieu of interest, should have been paid and, if so, the amount; and

(23.2) if the Society certifies that interest, or a sum in lieu of interest, should have been paid, the solicitor must pay the certified sum.

Part D - Accounting systems and records

Regulation 24 - Guidelines for accounting procedures and systems

(24) The Council of the Society, may from time to time publish guidelines for accounting procedures and systems to assist solicitors to comply with Parts A to D of these Regulations, and solicitors will be required to justify any departure from the guidelines.

Regulation 25 - Restrictions on transfers between clients

(25.1) A paper transfer of money held in a general client account from the ledger of one client to the ledger of another client may only be made if:

(25.1.1) it would have been permissible to withdraw that sum from the account under regulation 19.1; and

(25.1.2) it would have been permissible to pay that sum into the account under regulation 13

Regulation 26 - Accounting records for client accounts, etc.

Accounting records which must be kept

(26.1) Every solicitor shall at all times keep properly written up such accounts as may be necessary: -

(26.1.1) to show all his dealings with client's money received, held or paid by him;

(26.1.2) to show separately in respect of each client all money which is received, held or paid by him on account of that client;

(26.1.3) to distinguish all clients' money received, held or paid by him, from any other money and in relation to each transaction or matter undertaken for any client.

(26.2) all dealings of the solicitor relating to his practice as a solicitor other than those referred to in paragraph 26.1 shall be recorded in such records as the solicitor shall maintain as are deemed necessary by the Council to show the true financial position of his practice at all times.

(26.3) In addition to the books, ledgers and records referred to in paragraph 26.2 every solicitor shall keep a record of all bills of costs (distinguishing between profit costs and disbursements) delivered by the solicitor to his clients, which record shall be contained in a bills delivered book or a file of copies of such bills.

(26.4) (26.4.1) Every solicitor shall within three months (or such shorter period as the Council may from time to time consider appropriate for any particular principal) of the coming into force of these Regulations, or of his commencing

practice on his own account whichever shall be later, and thereafter as at dates ("reconciliation dates") separated by intervals not exceeding three months, cause to be prepared statements ("reconciliation statements") comparing and reconciling:

Client Reconciliation Statements

(26.4.1.1) the total of the balances due by him to clients, as extracted from his clients' ledger accounts, including balances in respect of trust money held in the client account or accounts and monies held on separate client designated accounts; and

(26.4.1.2) the balance on the clients' ledger control account; and

(26.4.1.3) the client account balance or balances as stated by the bank or building society and adjusted for outstanding withdrawals and lodgements of all general client accounts and separate designated client accounts including any notified interest.

Office Reconciliation Statements

(26.4.1.4) the total of the balances due to him by clients, as extracted from his office ledger accounts, including balances in respect of clients on whose behalf trust monies may be held; and

(26.4.1.5) the balance on the office ledger control account; and

(26.4.1.6) the office account balance or balances as stated by the bank or building society and adjusted for outstanding withdrawals and lodgements; and

(26.4.1.7) a trial balance being a list of balances extracted from the books of account as set out above and including such nominal ledger accounts, control accounts and bank accounts as shall be

kept by a solicitor in order to record all transactions relating to his practice.

(26.4.2) Each quarterly reconciliation statement must be completed within one month of the reconciliation date to which it relates and the reconciliation statement for each office of a practice or each associated practice shall be prepared on the same date;

(26.4.3) The solicitor shall retain each such reconciliation statement for a period of six years from the reconciliation date to which it relates;

(26.4.4) A copy of the client reconciliation statements for each of the four quarters ending with the financial year end of the solicitor shall be sent to the Society as the Third Schedule to the Solicitors' Accountants' Report and shall be in such form as the Society may from time to time decide.

(26.4.5) Specific information included in the reconciliation statement for each of the four quarters ending with the financial year end of the solicitor shall be sent to the Society as the Sixth Schedule to the Solicitors' Accountant's Report and shall be in such form as the Society may from time to time decide.

(26.5) The current balance on each client ledger account must always be shown, or be readily ascertainable, from the records kept in accordance with the above.

(26.6) When acting for both lender and borrower on a mortgage advance, separate client ledger accounts for both clients need not be opened, provided it is reasonable in all the circumstances not to do so.

(26.7) The solicitor must retain for at least six years from the date of the last entry:

(26.7.1) all documents or other records required by paragraphs 26.1 to 26.4 above;

(26.7.2) all statements and passbooks, as printed and issued by the financial institution, or printed off by the solicitor and/or all duplicate statements and copies of passbook entries permitted in lieu of the originals by regulation 8.3 or 8.4, for:

(26.7.2.1) any general client account or separate designated client account;

(26.7.2.2) any joint account held under regulation 8;

(26.7.2.3) any account which is not a client account but in which controlled trust money is held under regulation 16.3; and

(26.7.2.4) any office account maintained in relation to the practice;

(26.7.3) any records kept under regulation 7 including, as printed or otherwise issued, any statements, passbooks and other accounting records originating outside the solicitor's office;

(26.7.4) any written instructions to withhold client money from a client account (or a copy of the solicitor's confirmation of oral instructions) in accordance with regulation 14;

(26.8) The solicitor must retain for at least six years:

(26.8.1) originals or copies of all authorities, for the withdrawal of money from a client account; and

(26.8.2) all original paid cheques;

or such other evidence thereof as the Council may prescribe from time to time.

(26.9)

(26.9.1) The expressions "books", "accounts", "ledgers" and "records" shall be deemed to include loose-leaf books and such cards or other permanent records as are necessary for the operation of any system of book-keeping;

(26.9.2) Where a solicitor maintains the accounts required by these Regulations on a computerised system which does not rely on a visible ledger card for its operation such system must be such that:

(26.9.2.1) an immediate printout can be obtained of any account notwithstanding that immediate visual access is available; and

(26.9.2.2) all accounts which for any reason may require to be removed from the working store of the system must before removal be copied on to a storage medium which will enable a visual record of the detailed entries therein to be produced and be filed in alphabetical or other suitable order, indexed and retained for the period set out in regulation 26.7.

(26.10) Records required by this regulation may be kept on a computerised system, apart from the following documents, which must be retained as printed or otherwise issued:

(26.10.1) original statements and passbooks retained under paragraph 9.3 above; and

(26.10.2) original statements, passbooks and other accounting records retained under paragraph 26.7 above.

(26.11) Every solicitor must have in place a satisfactory contingency facility should a computerised system fail. The information recorded must be capable of being reproduced reasonably quickly in printed form for at least six years.

(26.12) Suspense client ledger accounts may be used only when the solicitor can justify their use.

Regulation 27 - Accounting records for clients' own accounts

(27.1) When a solicitor operates a client's own account as signatory under regulation 9, the solicitor must retain, for at least six years from the date of the last entry, the statements or passbooks as printed and issued by the financial institution, and/or the duplicate statements, copies of passbook entries and cheque details permitted in lieu of the originals by regulation 8.3 or 8.4.

(27.2) If, when the solicitor ceases to operate the account, the client requests the original statements or passbooks, the solicitor must take photocopies and keep them in lieu of the originals.

Part E - Monitoring and investigation by the Society and disclosure to the Society

Regulation 28 - Production of records

(28.1) Any solicitor must at the time and place determined by the Society produce to any person appointed by the Society any records, papers, client and controlled trust matter files, financial accounts and other documents, and such other information as may be required by the Society to assess compliance with these Regulations. The Society may also use any report or information obtained by its appointee to raise enquiries as to the solicitor's overall professional conduct.

(28.2) Material kept electronically must be produced in the form required by the Society's appointee.

(28.3) The Society's appointee is entitled to seek verification of any matter from clients and staff, and from the banks, building societies and other financial institutions used or considered to be used by the solicitor. The solicitor must, if necessary, provide written permission for the information to be given.

(28.4) Any report made or information obtained by the Society's appointee may, if appropriate, be sent to other law enforcement agencies and other regulatory bodies or used in proceedings before the Solicitors' Disciplinary Tribunal. In the case of a registered European lawyer the report may also be sent to the competent authority in that lawyer's home state or states. In the case of a solicitor of the Court of Judicature who is established in another state under the Establishment of Lawyers Directive 98/5/EC, the report may also be sent to the competent authority in the host state. The report may also be sent to any of the accountancy bodies set out in regulation 31.1.1 and/or taken into account by the Society in relation to a possible refusal to accept further reports from an accountant under regulation 31.4.

Regulation 29 – Disclosure to the Society

(29) A solicitor shall bring to the notice of the Society (having, where necessary, first obtained his client's consent) any conduct on the part of another solicitor which appears to him to be a breach of these Regulations.

Part F - Accountants' reports

Regulation 30 - Delivery of accountants' reports

(30) A solicitor who at any time during an accounting period, operated an office or client account, must deliver to the Society an accountant's report for that accounting period within four months of the end of the accounting period.

Regulation 31 - Accounting periods

The norm

(31.1) An "accounting period" means the period for which the accounts of the solicitor are ordinarily made up, except that it must:

(31.1.1) begin at the end of the previous accounting period; and

(31.1.2) cover the preceding twelve months.

Paragraphs 31.2 to 31.5 below set out exceptions.

First and resumed reports

(31.2) For a solicitor who is under a duty to deliver his first report, the accounting period must begin on the date when the solicitor first commenced practice on his own account and may cover less than twelve months.

(31.3) For a solicitor who is under a duty to deliver his first report after a break, the accounting period must begin on the date when the solicitor for the first time after the break recommenced practice on his own account and may cover less than twelve months.

Change of reporting date

(31.4)

(31.4.1) If a solicitor seeks to change the date for the submission of his Accountant's Report the reporting period immediately preceding the change may be shorter than twelve months and that immediately after the

changes longer than twelve months up to a maximum of fifteen months, provided the Society receives written notice of the change of submission date at least three months before expiry of the deadline for delivery of the Accountant's Report which would have been expected on the basis of the solicitor's original accounting period and the Society reserves the right to require the report for any extended period to be delivered within less than six months from the end of that original accounting period.

(31.4.2) Subject to the above, the Society will not unreasonably withhold consent to a change of submission date.

Final reports

(31.5) A solicitor who for any reason ceases to practice or to operate any client's own account as signatory must deliver a final Accountant's Report within three months of so doing. The accounting period must end on the date upon which the solicitor ceased to practise and on which he should also have ceased holding clients' money (and operating any client's own account as signatory), and may cover less than twelve months.

Regulation 32 - Qualifications for making a report

(32.1) An accountant's report shall be given on behalf of a solicitor by an Accountant:

(32.1.1) who is a member of one or more of the following bodies:

(32.1.1.1) The Institute of Chartered Accountants in Ireland; or

(32.1.1.2) The Institute of Chartered Accountants in England and Wales; or

(32.1.1.3) The Institute of Chartered Accountants of Scotland; or

(32.1.1.4) The Association of Chartered Certified Accountants.

and who is qualified to practise in Northern Ireland and who is qualified under S485 of the Companies Act 2006 for appointment as auditor of a company;

(32.1.2) who has neither been at any time during the accounting period to which the report relates, nor subsequently, before giving the report, become a partner, clerk or employee of such solicitor or of any partner of his; and

(32.1.3) who is not subject to notice of disqualification under paragraph 32.4.

(32.2) An accountant's report shall only be made by an accountant who holds professional indemnity insurance cover:

(32.2.1) extending to professional services deemed to include the provision of the said accountant's report in compliance with these regulations; and

(32.2.2) of the minimum levels directed from time to time by the Council.

(32.3) There shall be attached to an Accountant's Report such documentation as sufficient to evidence the matters referred to in paragraphs 31.1 and 31.2.

(32.4) Where an accountant, in giving an Accountant's Report has failed to draw attention to the solicitor's omission to comply with these regulations the Council may at their discretion refuse to accept further accountant's reports given by such accountant.

(32.5) An accountant is not qualified to make a report if at any time between the beginning of the accounting period to which the report relates, and the completion of the report he has been the subject of a decision to refuse under paragraph 31.4 above or is disqualified under paragraph 31.6 below and notice of disqualification has been given under paragraph 31.7 (and has not subsequently been withdrawn).

(32.6) The Council may refuse a report if it is made by an accountant who has been found guilty by his professional body of such conduct deemed by the Council to be unprofessional and discreditable.

(32.7) Written notice of any decision pursuant to 31.4 must be left at or sent by registered post or recorded delivery to the address of the accountant shown on an accountant's report or in the records of the accountant's professional body. If sent through the post, receipt will be deemed 48 hours (excluding Saturdays, Sundays and Bank Holidays) after posting.

(32.8) Where the Council have made a decision pursuant to 31.4 they shall give notice of such fact to every solicitor in Northern Ireland. In coming to their decision the Council shall take into consideration any observations or explanations made or given by such accountant and by the professional body of which he is a member.

Regulation 33 - Reporting accountant's rights and duties - letter of engagement

(33.1) The solicitor must ensure that a letter of engagement incorporating the following terms and conditions is issued at the commencement of each audit.

"In accordance with regulation 33 of the Solicitors' Accounts Regulations 2013, you are instructed as follows:

(33.1.1) to report directly to the Law Society of Northern Ireland without prior reference to me/this firm/this company/this limited liability partnership should you, during the course of carrying out work in preparation of the accountant's report, discover evidence of theft or fraud affecting client money, controlled trust money, or money in a client's own account operated by a solicitor; or information which is likely to be of material significance in determining whether any solicitor is a fit and proper person

to hold client money or controlled trust money, or to operate a client's own account;

(33.1.2) to report directly to the Society should your appointment be terminated following the issue of, or indication of intention to issue, a qualified accountant's report, or following the raising of concerns prior to the preparation of an accountant's report;

(33.1.3) to deliver to me/this firm/this company/this limited liability partnership with your report the completed checklist required by regulation 39 of the Solicitors' Accounts Regulations 2013; to retain for at least six years from the date of signature a copy of the completed checklist; and to produce the copy to the Society on request by the Society;

(33.1.4) to retain these terms of engagement for at least six years after the termination of the retainer and to produce them to the Society on request by the Society; and

(33.1.5) following any direct report made to the Society under 33.1.1 or 33.1.2 above, to provide to the Society on request any further relevant information in your possession or in the possession of your firm.

To the extent necessary to enable you to comply with 33.1.1 to 33.1.5 above, I/we waive my/the firm's/the company's/the limited liability partnership's right of confidentiality. This waiver extends to any report made, document produced or information disclosed to the Society in good faith pursuant to these instructions, even though it may subsequently transpire that you were mistaken in your belief that there was cause for concern."

(33.2) The letter of engagement and a copy must be signed by the solicitor and by the accountant. The solicitor must keep the copy of the signed letter of engagement for at least six years after the termination of the retainer and produce it to the Society on request.

Regulation 34 - Change of accountant

(34) The solicitor shall notify the Society within one month of the name and business address of the new accountant when the solicitor changes accountant and to provide written confirmation from the accountant of his appointment.

Regulation 35 - Place of examination

(35) Unless there are exceptional circumstances, the place of examination of a solicitor's accounting records, files and other relevant documents should be the solicitor's office. This does not prevent an initial electronic transmission of data to the accountant for examination at the accountant's office with a view to reducing the time which needs to be spent at the solicitor's office.

Regulation 36 - Provision of details of bank accounts, etc.

(36) The accountant shall request, and the solicitor shall provide, details of all accounts kept or operated by the solicitor in connection with the solicitor's practice at any financial institution at any time during the accounting period to which the report relates. This includes client accounts, office accounts, accounts which are not client accounts but which contain client money or controlled trust money, and clients' own accounts operated by the solicitor as signatory.

Regulation 37 - Test procedures

(37.1) The accountant shall examine the accounting records (including statements and passbooks), client and controlled trust matter files selected by the accountant as and when appropriate, and other relevant documents of the solicitor, and make all necessary checks and tests, including (without limitation):

(37.1.1) confirm that the accounting system in every office of the solicitor complies with these Regulations:

and that system is so designed that:

(37.1.1.1) a client ledger account is kept for each matter which provides a running balance;

(37.1.1.2) the client ledger accounts show separately from other information details of all client money and controlled trust money received, held or paid on account of each matter paid; and

(37.1.1.3) transactions relating to client money, controlled trust money and any other money dealt with through a client account are recorded in the accounting records in a way which distinguishes them from transactions relating to any other money received, held or paid by the solicitor; and

(37.1.1.4) the balance on the client ledger control account is reconciled with the total of the individual balances extracted from the client ledger; and

(37.1.1.5) appropriate ledger accounts and cash books are kept that show all transactions other than those relating to clients' money, relating to the practice.

(37.1.2) make test checks of postings to the client ledger accounts from records of receipts and payments of client money and controlled trust money, and make test checks of the casts of these accounts and records;

(37.1.3) compare a sample of payments into and from the client accounts as shown in bank and building society statements or passbooks with the solicitor's records of receipts and payments of client money and controlled trust money;

(37.1.4) test check the system of recording costs and of making transfers in respect of costs from the client accounts;

(37.1.5) make a test examination of a selection of documents requested from the solicitor in order to confirm:

(37.1.5.1) that the financial transactions (including those giving rise to transfers from one client ledger account to another) evidenced by such documents comply with Parts A and B of these Regulations, regulation 25 (restrictions on transfers between clients) and regulation 28 (production of records); and

(37.1.5.2) that the entries in the accounting records reflect those transactions in a manner complying with regulation 26;

(37.1.6) subject to paragraph 37.2 below, check extractions of balances on the client ledger accounts during the accounting period under review at not fewer than two dates selected by the accountant (one of which may be the last day of the accounting period), and at each date:

(37.1.6.1) compare the total shown by the client ledger accounts of the liabilities to the clients and controlled trusts with the cash account balance; and

(37.1.6.2) reconcile that cash account balance with the balances held in the client accounts, and accounts which are not client accounts but in which client money or controlled trust money is held, as confirmed direct to the accountant by the relevant banks, building societies and other financial institutions;

(37.1.7) confirm that reconciliation statements have been made and kept in accordance with regulation 26.4;

(37.1.8) make a test examination of the client ledger accounts to see whether payments from the client account have been made on any individual account in excess of money held on behalf of that client or controlled trust;

(37.1.9) check the office ledgers, office cash accounts and the statements provided by the financial institution for any office account maintained by the solicitor in connection with the practice, to see whether any client money or controlled trust money has been improperly paid into an office account or, if properly paid into an office account under regulation 17.1.2 or regulation 20.1, has been kept there in breach of these Regulations;

(37.1.10) check the accounting records kept under regulation 26.7.4 and 26.11 for client money held outside a client account to ascertain what transactions have been effected in respect of this money and to confirm that the client has given appropriate instructions under regulation 14.1;

(37.1.11) make a test examination of the client ledger accounts to see whether regulation 26.7 has been complied with;

(37.1.12) check that statements and passbooks or duplicate statements and copies of passbook entries are being kept in accordance with regulation 26.8.2 and cross-check transactions with client matter files when appropriate;

(37.1.13) check that statements and passbooks or duplicate statements, copies of passbook entries and cheque details are being kept in accordance with regulation 27 and cross-check transactions with client matter files when appropriate;

(37.1.14) check that interest earned on separate designated client accounts is credited in accordance with Part C;

(37.1.15) ask for any information and explanations required as a result of making the above checks and tests.

(37.1.16) that appropriate ledger accounts and cash books are kept to show all transactions other than those relating to clients money, relating to the practice;

(37.1.17) reconcile the balance on the client ledger control account with the total of the individual balances extracted from the clients' ledger.

Extracting balances

(37.2) For the purposes of paragraph 37.1.6 above, if a solicitor uses a computerised or mechanised system of accounting which automatically produces an extraction of all client ledger balances, the accountant need not check all client ledger balances extracted on the list produced by the computer or machine against the individual records of client ledger accounts, provided the accountant:

(37.2.1) confirms that a satisfactory system of control is in operation and the accounting records are in balance;

(37.2.2) carries out a test check of the extraction against the individual records; and

(37.2.3) states in the report that he has relied on this exception.

Regulation 38 - Departures from guidelines for accounting procedures and systems

(38) The accountant should be aware of the Council's guidelines for accounting procedures and systems (see regulation 24), and must note in the accountant's report any material departures from the guidelines discovered whilst carrying out work in preparation of the report.

Regulation 39 - Privileged documents

(39) A solicitor, acting on a client's instructions, always has the right on the grounds of privilege as between solicitor and client to decline to produce any document requested by the accountant for the purposes of his or her examination. In these circumstances, the accountant must qualify the report and set out the circumstances.

Regulation 40 - Completion of checklist

(40) The accountant should exercise his or her professional judgment in adopting a suitable "audit" programme, but must also complete and sign a checklist in the form published from time to time by the Society. The solicitor must obtain the completed checklist, retain it for at least six years from the date of signature and produce it to the Society on request.

Regulation 41 - Form of accountant's report

(41) The accountant must complete and sign his or her report in the form published from time to time by the Society. Forms may be submitted including by appropriate electronic means, provided they contain an authenticated digital version of the required Accountant's signature. Before submission, the contents of the Accountant's Report must be discussed and signed off by the authorised principal of the firm in relation to which the Report is being submitted, and appropriate written evidence of the discussions and signing off must be retained by both the Accountant and the solicitor.

Regulation 42 - Practices with two or more places of business

(42) In the case of a solicitor who has two or more places of business:

(42.1) each office of an individual practice shall have the same accounting period; and

(42.2) the accountant's report or the accountant's reports delivered by him to the Society in each practice year shall cover all client's money held or received by him to ensure that associated practices reconcile their accounts on the same quarterly dates.

Regulation 43 - Waivers

(43) The Society shall have power to waive in writing in any particular case any of these Regulations.

Part G - Commencement

Regulation 44 - Commencement

(44.1) These Regulations must be implemented with effect from 1st June 2014; until a practice implements these Regulations, it must continue to comply with the Solicitors' Accounts Regulations 1998.

(44.2) Practices opting to implement these Regulations before 1st June 2014 must implement them in their entirety, and not selectively.

(44.3) Part F of these Regulations will apply to:

(44.3.1) reports covering any period of time after 1st June 2014; and also

(44.3.2) reports covering any earlier period of time for which a practice has opted to adopt these Regulations.

(44.4) The Solicitors' Accounts Regulations 1998 will continue to apply to:

(44.4.1) reports covering any period of time before 13th March 2014 and also

(44.4.2) reports covering any period of time after 13th March 2014 and before 1st June 2014 during which a practice continued to operate the Solicitors' Accounts Regulations 1998.

(44.5) If a practice operates the Solicitors' Accounts Regulations 1998 for part of an accounting period, and these Regulations for the rest of the accounting period, the practice may, in respect of that accounting period ("the transitional accounting period") either:

(44.5.1) deliver a single accountant's report covering the whole of the transitional accounting period, made partly under the Solicitors' Accounts Regulations 1998 and partly under Part F of these Regulations, as appropriate; or

(44.5.2) deliver a separate accountant's report for each part of the transitional accounting period, one under the Solicitors' Accounts Regulations 1998 and the other under Part F of these Regulations.

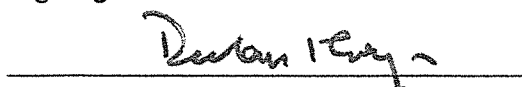
I certify that this is a true copy of the Regulations approved by the Council of the Law Society of Northern Ireland, by resolution on 15th January 2014.

Signed:



Alan Hunter, Chief Executive

Signed:



The Right Honourable Sir Declan Morgan
Lord Chief Justice of Northern Ireland

16/1/2014

Date:

19/3/2014

Date: