

ASSEMBLY BILL

No. 1723

**Introduced by Committee on Judiciary (Jones (Chair), Evans,
Feuer, Krekorian, Laird, Levine, and Lieber)**

March 6, 2007

An act to amend Section 6211 of the Business and Professions Code, relating to attorneys.

LEGISLATIVE COUNSEL'S DIGEST

AB 1723, as introduced, Committee on Judiciary. Attorneys: interest on lawyer trust accounts.

Existing law, the State Bar Act, provides for the licensing and regulation of the practice of law by the State Bar of California. Existing law requires an attorney or law firm that receives or disburses trust funds to establish an interest bearing demand trust account and to deposit in the account all client deposits that are nominal in amount or are on deposit for a short period of time. Existing law requires that the earnings from these trust accounts be paid to the State Bar to be used for programs for free legal services for indigent persons.

This bill would instead require that the above funds be deposited in interest on lawyer trust accounts, and would also require that the dividends earned on the accounts be paid to the State Bar of California.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 6211 of the Business and Professions
- 2 Code is amended to read:

1 6211. (a) An attorney or law firm, which in the course of the
2 practice of law receives or disburses trust funds, shall establish
3 and maintain an interest-bearing demand on lawyer trust account
4 ~~and (IOLTA account) in which the attorney or law firm shall~~
5 deposit ~~therein~~ all client deposits that are nominal in amount or
6 are on deposit for a short period of time. All such client funds may
7 be deposited in a single unsegregated account. The interest *and*
8 *dividends* earned on all such accounts shall be paid to the State
9 Bar of California to be used for the purposes set forth in this article.

10 (b) Nothing in this article shall be construed to prohibit an
11 attorney or law firm from establishing one or more interest *or*
12 *dividend* bearing bank accounts or other trust investments as may
13 be permitted by the Supreme Court, with the interest or dividends
14 earned on the accounts payable to clients for trust funds not
15 deposited in accordance with subdivision (a).

16 (c) With the approval of the Supreme Court, the State Bar may
17 formulate and enforce rules of professional conduct pertaining to
18 the use by attorneys or law firms of ~~interest-bearing trust~~ *IOLTA*
19 accounts for unsegregated client funds pursuant to this article.

20 (d) Nothing in this article shall be construed as affecting or
21 impairing the disciplinary powers and authority of the Supreme
22 Court or of the State Bar or as modifying the statutes and rules
23 governing the conduct of members of the State Bar.