

Real Estate Trading Act

4. (3) Every brokerage shall maintain in a bank an interest-bearing trust account, of a type specified in the by-laws.

(4) Every trust account maintained pursuant to subsection (3) shall be under the supervision of a broker designated by the brokerage that maintains the account.

Commission Bylaw

- 613 Every Brokerage shall maintain, in a financial institution, interest-bearing Trust Accounts in the Brokerage's name, followed by the words "Real Estate Trust Account." A Brokerage shall use this name only for Trust Accounts. This name shall appear on all Trust Records including, but not limited to, deposit books and cheques.

Trust Account Record Keeping

There are four (4) *minimum* record keeping requirements for Real Estate Trust Accounts:

1. Trust Ledger

- Bylaw 622: Every Brokerage shall keep as part of its records, with respect to its trades in real estate, a paper or electronic **trust ledger**.... The trust ledger shall contain a record of all:
- i) Funds that the Brokerage receives in trust;
 - ii) Funds that the Brokerage holds in trust;
 - iii) Interest on funds that the Brokerage holds in an individual trust (see #2); and
 - iv) Disbursements the Brokerage makes from funds received in trust.

Also referred to as the **Control or General Ledger**, this is a chronological book of accounts in which data from specific transactions is recorded. It is a book of final entry summarizing all of a company's trust account transactions, through offsetting debit and credit accounts. It must include all real estate trust transactions as well as erroneous service fees and interest accrued, that have not been reimbursed or disbursed, as the case may be, as well as any other withdrawals from or deposits into the trust account.

Example 1: Trust or Control Ledger

XYZ Realty Ltd.
Real Estate Trust Account
Trust Account Control Ledger

Date	Transaction/Purpose	Details/Payee	Trade #	Cheque or EFT #	Debit	Credit	Balance
1-Jan-09	Black to Smith, 1st Street	Trust Deposit	2009-001			\$1,000.00	\$1,000.00
5-Jan-09	Black to Smith, 1st Street	Increase trust deposit	2009-001			\$1,000.00	\$2,000.00
15-Jan-09	Black to Smith, 1st Street	XYZ Realty Ltd. General Acct		EFT 1422	\$2,000.00		\$0.00
15-Jan-09	Smith to Jones, 2nd Avenue	Trust Deposit	2009-002			\$5,000.00	\$5,000.00
6-Feb-09	Johnson to Public, 5th Avenue	Trust Deposit	2009-003			\$10,000.00	\$15,000.00
28-Feb-09	Bank error-service fees				\$5.00		\$14,995.00
10-Mar-09	Smith to Jones, 2nd Avenue	XYZ Realty Ltd. General Acct		EFT 1458	\$2,000.00		\$12,995.00
10-Mar-09	Smith to Jones, 2nd Avenue	Sellers Lawfirm "In Trust"		Chq # 001	\$3,000.00		\$9,995.00
16-Mar-09	Reversal of service fees debit	Electronic transfer from general				\$5.00	\$10,000.00
30-Mar-09	Jones to Dixon, 110 Road	Trust Deposit	200-004			\$500.00	\$10,500.00
31-Mar-10	Return Deposit - Jones	110 Road		Chq # 004	\$500.00		\$10,000.00
31-Mar-09	Bank error-deposit of interest	Credited by bank				\$15.00	\$10,015.00
31-Mar-09	Reversal of bank error	Debited by bank			\$15.00		\$10,000.00

2. Individual Trust Records

Bylaw 622: *Every Brokerage shall....maintain a **separate record** for each person on whose behalf the Brokerage is acting.*

Also referred to as the **Individual Trust Ledger or Record** this is a separate account of each deposit.

Example 2: Individual Record for a deposit held in the Brokerage's Trust Account

NAME: Black to Smith		TRADE # 2009-001		
ADDRESS: 1st Street, Anytown				
DATE	DESCRIPTION	DEBITS	CREDITS	BALANCE
1-Jan-09	Deposit to Brokerage Trust Account		\$1,000.00	\$1,000.00
5-Jan-09	Deposit Increase		\$1,000.00	\$2,000.00
15-Jan-09	Disbursed to Brokerage General Account - Trust chq 001	\$2,000.00		\$0.00

Example 3: Individual Ledger for a deposit held in a Special Trust Account

NAME: Public to Average		TRADE # 2009-006		
ADDRESS: 500 Everystreet				
DATE	DESCRIPTION	DEBITS	CREDITS	BALANCE
11-Feb-09	Deposit transfer from Brokerage Trust Account to Special Trust Acct		\$15,000.00	\$15,000.00
25-Feb-10	Interest Accrued		\$20.00	\$15,020.00
25-Feb-09	Commission to Brokerage Trust Account via electronic funds transfer	\$15,020.00		\$0.00
25-Feb-09	Commission transferred to Brokerage	\$15,000.00		\$20.00
25-Feb-09	Interest disbursed to Seller from Brokerage Trust Acct, Chq 2	\$20.00		\$0.00

3. Monthly Trust Account Bank Reconciliation

Bylaw 623: *Each Trust Account is to be **reconciled monthly with the bank statement**. The monthly trust account reconciliation must be signed and dated by the Broker or Managing Associate Broker.*

A **reconciliation** is the adjusting of the difference between two items so that the figures are in agreement. A bank reconciliation is the verification of a bank statement balance (the amount of money in a bank account on a particular date as recorded by a financial institution) and the Brokerage's Control Ledger (see example #1).

Example 4: Sample Bank Reconciliation

**XYZ Realty Ltd.
Real Estate Trust Account**

**Bank Reconciliation
March 31, 2009**

Bank statement balance March 30, 2009	\$10,000.00
Add outstanding deposits <i>Jones-110 Road \$500</i>	+\$500.00
Less outstanding withdrawals/cheques <i>Chq 004 Jones, 110 Road, 03/31/10 \$500</i>	-\$500.00
Reconciled bank balance	\$10,000.00
Special Trust bank statement balance	+\$0.00
Reconciled Trust Liability*	\$10,000.00

4. Trust Liability Listing

Bylaw 623: A **trust liability listing** must contain the following information for all trust funds held in accordance with Section 32 of the Act:

- i. Information sufficient to identify the transaction;
- ii. the Trust Account number and the name of the financial institution;
- iii. the address relating to the transaction; and
- iv. amount of funds being held in trust for each transaction.

A **liability** is a form of claim on the assets of an entity that must be paid or otherwise honored by that entity. Each month, the trust account liability listing must match the reconciled trust liability, noted in Example 4 with an asterisk.

Example 5: Trust Liability Listing (including both the special trust account(s) and the Brokerage's Trust Account.)

XYZ Realty Ltd.
Real Estate Trust Account

Trust Liability Listing for March 31, 2009

Transaction	Date of Deposit	Trade # or Cheque #	Funds held in trust
Johnson to Public, 5th Avenue	6-Jun-15	2009-003	\$10,000.00
Total Brokerage Trust Account			\$10,000.00
Total Special Trust Account			\$0.00
Total Trust Liability			\$10,000.00