

TO: Illinois Financial Institutions

FROM: Ruth Ann Schmitt, Executive Director

RE: Changes to the Illinois IOLTA Rule

The purpose of this letter is to bring to your attention some recent changes in the rules governing the operation of IOLTA accounts. Attorneys and law firms use these pooled trust accounts to hold client deposits that are nominal in amount and/or that will be held for a short period of time. The Lawyers Trust Fund administers the IOLTA program in Illinois and receives the interest on IOLTA accounts. (For more information about the Lawyers Trust Fund, visit our web site at www.ltf.org).

On January 25, 2007 the Supreme Court of Illinois amended Rule 1.15 of the Illinois Rules of Professional Conduct (the "IOLTA Rule"). The most significant change is a requirement that an **attorney or law firm with an IOLTA account must maintain the account at a bank that pays the same interest rate on IOLTA accounts that it offers on non-IOLTA accounts with similar balances and requirements.**

The new rule goes into effect on **June 1, 2007**. A copy of Rule 1.15, as amended, is enclosed with this letter.

The Lawyers Trust Fund is compiling a list of eligible financial institutions, which we will make available to attorneys and law firms so that they can remain in compliance with the revised IOLTA rule.

The IOLTA rule includes two basic ways for banks to demonstrate that they meet the "rate parity" requirement. In order to certify your banks continuing eligibility to hold attorneys' and law firms' IOLTA accounts, we are asking you to choose one of the two following options, and then complete and return the appropriate form.

- ❖ **“Safe Harbor Certification Statement” (FORM A):** Banks choosing to pay the “safe harbor” rate (70% of the Fed Funds Target Rate) on all IOLTA accounts should complete **FORM A**. Financial institutions choosing this option will be deemed to be eligible to participate in the IOLTA program, and attorneys and law firms holding IOLTA accounts at that bank will be in compliance with the revised rule. No further review or consideration is required, and the bank will be immediately posted as “eligible” on the LTF web site.

- ❖ **“Application for Certification” (FORM B):** The Application for Certification requires additional information and supporting documentation regarding the various products and rates offered by your institution. This information is subject to review by LTF staff to ensure eligibility under the provisions of the rule. Banks deemed to be eligible after this review process is completed will be posted on the LTF web site.

To help ensure a seamless transition for members of the legal community, we would ask you to choose one of these two options and return the appropriate form (and supporting documentation, if applicable) to the Lawyers Trust Fund by no later than **April 1, 2007**. This will give us sufficient time to review applications and add eligible institutions to the list of approved IOLTA depositories.

Please be aware of the fact that as of JUNE 1, 2007, Illinois attorneys can *only* maintain IOLTA accounts in financial institutions that have been certified as eligible by the Lawyers Trust Fund.

We greatly appreciate the long-standing participation of your bank in the IOLTA program and we look forward to working with you to make this transition a smooth one. If you have any questions about the information contained in this letter or the implementation of the revised guidelines, please contact Terri Smith, Director of Banking, at (312) 938-3001 or tlsmith@ltf.org.

Sincerely,

Thomas A. Clancy
President

Ruth Ann Schmitt
Executive Director