

This document is a quick reference guide to some of the administrative and accounting procedures to be completed by those responsible for managing trust accounts.

TO MANAGE TRUST ACCOUNTS, YOU NEED THE FOLLOWING TOOLS:

- "Receipt of a sum in cash" forms (booklets available from the OACIQ);
- "Receipt for a sum deposited into a trust account" forms (booklets available from the OACIQ);
Note: *If receipts are computer-generated, the system must keep a copy in memory at all times.*
- A booklet of deposit slips used exclusively for the trust account;
Note: *For ATM slips and electronic transfer confirmations, make sure you have a good filing system that is easy to refer to at all times.*
Suggestions: Even if you use the ATM, fill out a deposit slip; you can attach ATM slips and electronic transfer confirmations to the deposit slip in the deposit book.
- A cheque book in the name of the agency or the broker acting on his own account "in trust", in both cases bearing the mandatory statement: "TRUST ACCOUNT GOVERNED BY THE REAL ESTATE BROKERAGE ACT";
- A binder or other filing system in which copies can be kept, in numerical order, of the electronic transfers made from the trust account to the operating account of the agency or the broker acting on his own account or to any other recipient;
- A "Register of general trust account transactions" form;
- "Client's ledger" forms (if system is used);
- "Bank reconciliation statement of general trust account and each special trust account" forms to be completed each month and kept for future reference.

WHEN A TRANSACTION PROPOSAL IS RECEIVED WITH A DEPOSIT

1. Open a transaction record.
2. Enter the transaction in the Register of transactions

Make the accounting entry in the "Register of general trust account transactions" to reflect the deposit of this sum, using the following steps.

Case: The client does not claim interest on his deposit

If the deposit is paid in cash:

3. Issue a Receipt of a sum in cash in addition to the Receipt for a sum deposited into a trust account.

If the deposit is paid by cheque:

4. Make a photocopy of the deposit cheque and file it in the transaction record.
5. Prepare the deposit slip, indicating:
 - the name of the depositor;
 - the transaction number and/or the address of the immovable.
6. Make the accounting entry in the Register of general trust account transactions.
7. Make the accounting entry on a Client's ledger. (If you open a special account, do this only at step 14.)
8. Make the deposit:
 - At the financial institution:
 - deposit book, complete the deposit slip as mentioned in step 5.
 - At the ATM:
 - keep the slip and identify it with:
 - the name of the depositor;
 - the transaction number and/or the address of the immovable.
 - By electronic transfer:
 - File the confirmation issued by your financial institution in the transaction record and identify it with:
 - the name of the depositor;
 - the transaction number and/or the address of the immovable.
9. Issue a receipt in the name of the depositor(s):
 - a copy for the depositor;
 - a copy for the transaction record.

Case: The client claims interest on his deposit

Follow the above steps (1 to 9).

10. Instruct the financial institution to issue a term deposit or a Guaranteed Investment Certificate (GIC), or to open a savings account in the trustee's name (agency in trust or broker acting on his own account in trust) AND the depositor's name; this is what we call a "special account". To do this, proceed as follows:

- complete a "Declaration related to the opening of a special trust account";
 - forward this Declaration to the financial institution;
 - keep a copy of the Declaration in the transaction record.
11. Make sure the client receives a T-5 tax form. To ensure this, the client's name must appear on the special account. If you do not include the client's name, the T-5 tax form will be issued in the name of the agency or the broker acting on his own account.
Ask the financial institution for the proper way to do this.
 12. Keep a copy of the document issued by the financial institution (term deposit, GIC, savings account) in the transaction record and the original for your trust accounting.
 13. Make an accounting entry in the Register of general trust account transactions to reflect the withdrawal of this sum.
 14. Make the accounting entry on a Client's ledger.

IN THE CASE OF AN ELECTRONIC TRANSFER, DO NOT FORGET TO:

- a. issue a Receipt for a sum deposited into a trust account;
- b. make an accounting entry in the Register of general trust account transactions;
- c. make an accounting entry on a Client's ledger.

UPON RECEIPT OF AN ADVANCE ON REMUNERATION OR COSTS

Make the accounting entry in the Register of transactions in the general trust account to reflect the deposit of this sum, using the following steps.

1. If you haven't already done so, open a brokerage contract record.
2. Make a photocopy of the advance cheque and file it in the brokerage contract record.
AND
Complete steps 3 to 9 under section "WHEN A TRANSACTION PROPOSAL IS RECEIVED WITH A DEPOSIT".

CASHING IN A TERM DEPOSIT, GUARANTEED INVESTMENT CERTIFICATE (GIC) OR SAVINGS ACCOUNT (SPECIAL ACCOUNT)

When a term deposit, GIC or savings account (special account) is cashed in and redeposited in the general trust account, complete the following steps:

1. Make the accounting entries in the Register of general trust account transactions to reflect:
the receipt of the amount in your general trust account;
AND
the payment of interest by the financial institution.
2. Make the two accounting entries on the depositor's Client's ledger (if system is used).

WITHDRAWAL OF A DEPOSIT FROM THE GENERAL TRUST ACCOUNT IN THE COURSE OF A TRANSACTION

Two methods:

1. By set-off
OR
2. To the notary:
 - Partial (if the deposit amount is higher than the total remuneration amount)
OR
 - Total

For the majority of real estate transactions, there are two possible invoicing scenarios:

- The deposit amount is lower than the total remuneration amount due to the agency or the broker acting on his own account;
- The deposit amount is equal to or higher than the total remuneration amount due to the agency or the broker acting on his own account.

3 SCENARIOS (FOR SET-OFF CASES)

1- DEPOSIT AMOUNT LOWER THAN REMUNERATION AMOUNT

EXAMPLE:

Selling price:	\$249,000.00
Remuneration (6%):	\$14,940.00
GST (5%):	\$747.00
QST (7.5%):	<u>\$1,176.53</u>
Total remuneration:	\$16,863.53
Deposit received:	\$5,000.00
Amount due to agency:	\$11,863.53

Following the signing of the act of sale, the notary's adjustments and the publication of the act of sale in the land register by the notary:

1. Receive the notary's cheque for the balance of your remuneration (remuneration - deposit).
2. Prepare a cheque from the trust account in the amount of the deposit, to the order of the agency or the broker acting on his own account.
3. Make the accounting entry in the Register of transactions in the general trust account to reflect the withdrawal of this sum.
4. Make the accounting entry on the Client's ledger.
5. Make a photocopy of the notary's cheque and the cheque from the trust account and file them in the transaction record.
6. Prepare a deposit slip to deposit the notary's cheque and the cheque from the trust account in the operating account of the agency or the broker acting on his own account, making sure you identify the transaction:

Ex.: (V1005) 123 Garand St. \$11,863.53 (notary's cheque)
(V1005) Deposit in trust \$5,000.00 (cheque from trust account)

2- DEPOSIT AMOUNT EQUAL TO REMUNERATION AMOUNT

EXAMPLE:

Selling price:	\$249,000.00
Fixed remuneration:	\$13,289.04
GST (5%):	\$664.45
QST (7.5%):	<u>\$1,046.51</u>
Total remuneration:	\$15,000.00
Deposit received:	\$15,000.00
Amount due to agency:	\$0

BEFORE transferring the amount of your remuneration from the trust account to your operating account, you must:

1. Check the online land register, or obtain written confirmation from the notary that the act of sale was registered and file it in the transaction record.
2. Prepare a cheque from the trust account for the remuneration amount (\$15,000) to the order of the agency or the broker acting on his own account.
3. Make the accounting entry in the Register of transactions in the general trust account to reflect the withdrawal of this sum.
4. Make the accounting entry on the Client's ledger.
5. Make a photocopy of this cheque and file it in the transaction record with your invoice.
6. Prepare a deposit slip to deposit the cheque from the trust account in the operating account of the agency or the broker acting on his own account, making sure you identify the transaction:

Ex.: (V1005) 123 Garand St. \$15,000.00 (cheque from trust account).
Deposit in trust

3 SCENARIOS (FOR SET-OFF CASES) (cont'd)

3- DEPOSIT AMOUNT HIGHER THAN REMUNERATION AMOUNT (partial remittance to notary)

EXAMPLE:

Selling price:	\$249,000.00
Remuneration (6%):	\$14,940.00
GST (5%):	\$747.00
QST (7.5%):	<u>\$1,176.53</u>
Total remuneration:	\$16,863.53
Deposit received:	\$20,000.00
Amount due to agency:	\$3,136.47

1. Prepare a cheque from the trust account in the amount of the deposit excess (\$3,136.47) to the order of the notary in trust.
2. File a copy of the invoice and cheque in the transaction record.
3. Send the invoice and the cheque to the notary shortly before the date scheduled for the signing of the act of sale.
4. Make the accounting entry in the Register of transactions in the general trust account to reflect the withdrawal of this sum.
5. Make the accounting entry on the Client's ledger.

BEFORE transferring the amount of your remuneration from the trust account to your operating account, you must:

6. Check the online land register, or obtain written confirmation from the notary that the act of sale was registered and file it in the transaction record.
7. Prepare a cheque from the trust account for the remuneration amount (\$16,863.53) to the order of the agency or the broker acting on his own account.
8. Make the accounting entry in the Register of transactions in the general trust account to reflect the withdrawal of this sum.
9. Make the accounting entry on the Client's ledger.
10. Make a photocopy of this cheque and file it in the transaction record.
11. Prepare a deposit slip to deposit the cheque from the trust account in the operating account of the agency or the broker acting on his own account, making sure you identify the transaction:

Ex.: (V1005) 123 Garand St.
 Deposit in trust \$16,863.53 (cheque from trust account)

TOTALE REMITTANCE TO NOTARY

1. Invoice the seller for the total remuneration amount plus taxes.
 A few days before the signing of the act of sale:
2. Prepare a cheque from the trust account in the amount of the deposit to the order of the notary in trust (some notaries may require a certified cheque).
3. Make the accounting entry in the Register of transactions in the general trust account to reflect the withdrawal of this sum.
4. Make the accounting entry on the Client's ledger.
5. Make a photocopy of the cheque from the trust account and file it in the transaction record.
6. Make a photocopy of the notary's cheque for the total payment of your remuneration and file it in the transaction record.
7. Prepare a deposit slip to deposit the notary's cheque to the operating account of the agency or the broker acting on his own account, making sure you identify the transaction.

Ex.: (V1005) 123 Garand St. \$16,863.53

WITHDRAWAL OF AN ADVANCE ON REMUNERATION OR COSTS FROM THE GENERAL TRUST ACCOUNT

1. Issue an invoice sent to or accepted by the depositor.
2. Issue a cheque from the trust account in the amount indicated on the invoice to the order of the agency or the broker acting on his own account.
3. Make the accounting entry in the Register of transactions in the general trust account to reflect the withdrawal of this sum.
4. Make the accounting entry on the Client's ledger.
5. Make a photocopy of the cheque from the trust account and file it in the brokerage contract record with your invoice.
6. Prepare a deposit slip to deposit the cheque from the trust account in the operating account of the agency or the broker acting on his own account, making sure you identify the transaction.

Ex.: (CC 002) Advance (cheque from trust account) \$975.23

REFUND OF AN ADVANCE ON REMUNERATION OR COSTS FROM THE GENERAL TRUST ACCOUNT

Scenario: The parties to a brokerage contract terminate the contract by written agreement kept in the brokerage contract record.

1. Issue a cheque in the amount of the refund from the trust account to the depositor. This amount can be:
 - a total refund of the advance received if the agency or the broker acting on his own account is not entitled to any portion of the amount at the time the brokerage contract is terminated;
 - OR
 - the residual amount of the advance if the agency or the broker acting on his own account is entitled to a portion of this advance at the time the brokerage contract is terminated. In this case, the agency or the broker acting on his own account must:
 - issue an invoice sent to or accepted by the depositor
2. Make the accounting entry in the Register of transactions in the general trust account to reflect the withdrawal of this sum.
3. Make the accounting entry on the Client's ledger.
4. Make a photocopy of the cheque from the trust account and file it in the brokerage contract record with your invoice.

CLOSING OF THE GENERAL TRUST ACCOUNT

Send a "Notice of closing of a general trust account" the OACIQ without delay.

NOTES

1. *Transfer in foreign currency*

The time lapse between the electronic transfer of a sum in a foreign currency and the moment it is deposited in your trust account may result in a slight difference between the amount indicated in the agreement concerning the advance on remuneration or costs and the amount actually deposited. This is due to fluctuations in the exchange rates and the fact that electronic transfers are subject to fees. This contingency should be covered by a clause to this effect in the agreement. (see article No. 8261 entitled "What to do when a deposit is received by electronic funds transfer rather than by cheque")

2. *Issuance of receipts*

A receipt must be issued for all sums deposited (deposits, advances on remuneration or costs, leasing deposits) in the trust account.