

**CHAPTER 40**  
**REGULATIONS OF THE CLIENT SECURITY COMMISSION**

Rule 40.1	Definitions
Rule 40.2	Applications for reimbursement
Rule 40.3	Processing applications
Rule 40.4	Subrogation for reimbursement made
Rule 40.5	General purposes
Rule 40.6	General provisions
Rule 40.7	Copy of application for reinstatement



## CHAPTER 40

### REGULATIONS OF THE CLIENT SECURITY COMMISSION

**Rule 40.1 Definitions.** For the purpose of this chapter, the following definitions shall apply:

The “*commissioner*” shall mean the commissioners of the Client Security Commission.

“*Dishonest conduct*” shall mean wrongful acts committed by a lawyer against a person in the manner of defalcation or embezzlement of money, or the wrongful taking or conversion of money, property or other things of value.

The “*fund*” shall mean the Clients’ Security Trust Fund of the Bar of Iowa.

A “*lawyer*” shall mean one who, at the time of the act complained of, had the right to practice law in Iowa. The fact that the act complained of took place outside the state of Iowa does not necessarily mean that the lawyer was not engaged in the practice of law in the state of Iowa.

“*Reimbursable losses*” are only those losses as set out in Iowa Ct. R. 39.9.

[Court Order November 9, 2001, effective February 15, 2002; July 1, 2005]

**Rule 40.2 Applications for reimbursement.**

**40.2(1)** The commissioners shall prepare a form of application for reimbursement; in their discretion, the commissioners may waive a requirement that a request be filed on such form.

**40.2(2)** The form shall require, at a minimum, the following information:

- a. The name and address of the lawyer.
- b. The amount of the alleged loss claimed.
- c. The date or period of time during which the alleged loss was incurred.
- d. Name and address of the party requesting reimbursement.
- e. The general statement of facts relative to the request for reimbursement.
- f. Verification by the party requesting reimbursement.

**40.2(3)** The form or application shall contain the following statement in bold type:

**“IN ESTABLISHING THE CLIENTS’ SECURITY TRUST FUND OF THE BAR OF IOWA THE SUPREME COURT OF IOWA DID NOT CREATE, NOR ACKNOWLEDGE ANY LEGAL RESPONSIBILITY FOR THE ACTS OF INDIVIDUAL LAWYERS IN THE PRACTICE OF LAW. ALL REIMBURSEMENTS OF LOSSES OF THE CLIENTS’ SECURITY TRUST FUND SHALL BE A MATTER OF GRACE IN THE SOLE DISCRETION OF THE COMMISSIONERS ADMINISTERING THE FUND AND NOT AS A MATTER OF RIGHT. NO CLIENT OR ANY OTHER PERSON OR ORGANIZATION SHALL HAVE ANY RIGHT IN THE FUND AS A THIRD-PARTY BENEFICIARY OR OTHERWISE.”**

**40.2(4)** Applications shall be in the form attached and shall be addressed to the Client Security Commission, Iowa Judicial Branch Building, 1111 East Court Avenue, Des Moines, Iowa 50319.

[Court Order November 9, 2001, effective February 15, 2002; April 9, 2003; July 1, 2005; December 5, 2007]

**Rule 40.3 Processing applications.**

**40.3(1)** The commission’s chair shall cause each such application to be sent to the commissioners or other parties or organizations for investigation and report. A copy shall be served upon or sent by certified mail to the lawyer, at the lawyer’s last-known address, who it is claimed committed the dishonest act. Whenever feasible, any lawyer to whom such application is referred shall not practice in the county wherein the alleged defalcating attorney practiced. From time to time, the chair may request of the applicant further information with respect to the alleged claim.

**40.3(2)** When, in the opinion of the person or persons to whom the application has been referred the application is clearly not for a reimbursable loss, no further investigation need be conducted, but a report with respect to such application shall be made to the commission.

**40.3(3)** The person or persons to whom a report is referred for investigation shall conduct such investigation as to them seems necessary and desirable in order to determine whether the same is for a reimbursable loss and in order to guide the commissioners in determining the extent, if any, to which the claim shall be reimbursed from the fund. Any information so obtained by the person or persons shall be used solely by or for the commissioners and shall otherwise constitute confidential information. When information is received by the commission indicating an apparent violation of the criminal laws by a lawyer, such information shall be reported to the supreme court for such action as the court deems necessary by letter addressed to the state court administrator enclosed in an envelope marked “CONFIDENTIAL.”

**40.3(4)** Reports with respect to applications shall be submitted by the person or persons to whom they have been referred for investigation to the chair as soon as reasonably possible. The chair shall summarize each report in detail as deemed necessary and shall send to each member of the commission a copy of such summary.

**40.3(5)** At the meetings of the commission the commissioners will conduct such investigation or review as seems necessary or desirable in order to determine whether the applications are for a reimbursable loss, and to guide the commissioners in determining the extent, if any, to which the applicant shall be reimbursed. After studying the summaries or applications to be processed, any commissioner may request that testimony be presented. Absent such recommendation or request, applications shall be processed on the basis of information contained in the report of the person or persons who investigated such application and in the summary. In all cases, the alleged defalcating attorney or the attorney's personal representative shall be given an opportunity to be heard by the commissioners if they so request.

**40.3(6)** The commission in its sole discretion shall determine the amount of loss, if any, for which any person shall be reimbursed from the fund. [See Iowa Ct. R. 39.9(2)] However, the maximum amount which any one claimant may recover from the fund shall be \$100,000 and the aggregate maximum amount which may be recovered from the fund because of the dishonest conduct of any one attorney shall be \$300,000.

**Comment:** The November 26, 2013, amendments of claim reimbursement limits apply only to claims arising from attorney conduct occurring on or after January 1, 2014.

[Regulation amendment July 8, 1981; Court Order July 16, 1984; December 15, 1994, effective January 3, 1995; November 9, 2001, effective February 15, 2002; November 26, 2013, effective January 1, 2014]

**Rule 40.4 Subrogation for reimbursement made.** In the event reimbursement is made to a person or organization, the fund shall be subrogated to their rights in said amount and may bring such action as is deemed advisable against the lawyer, the lawyer's assets or estate, either in the name of the person, or in the name of the Clients' Security Trust Fund of the Bar of Iowa. The party receiving funds shall be required to execute a subrogation agreement in said regard. Upon commencement of an action by the fund pursuant to its subrogation rights, it shall advise the reimbursed party at the party's last-known address. That party may then join in such action to press a claim for any loss in excess of the amount of the above reimbursement, but the fund shall have first priority to any recovery on such suit.

[Amended by Court Order December 15, 1994, effective January 3, 1995; November 9, 2001, effective February 15, 2002]

**Rule 40.5 General purposes.** In any given case, the commissioners may waive technical adherence to these regulations in order to achieve the objectives of the fund.

[Court Order November 9, 2001, effective February 15, 2002]

**Rule 40.6 General provisions.** The annual report of the commissioners to the supreme court shall be public information after it is filed with the court. Upon prior approval of the commission, such information as the commission may approve concerning payments made to applicants for reimbursement, including information with regard to the lawyer involved and the facts upon which the reimbursement is made, may be released as public information. Other than as set out above, other information regarding applications for reimbursement, payments made by the fund or any actions of the commissioners shall not be public information without the express prior approval of the court.

[Regulation Order January 4, 1974; February 15, 1979; November 9, 2001, effective February 15, 2002]

**Rule 40.7 Copy of application for reinstatement.** An attorney who has been summarily suspended under Iowa Ct. R. 39.8 must file an application with the clerk of the supreme court for reinstatement, and a copy of said application shall be forwarded to the director of the office of professional regulation and to the Iowa Supreme Court Attorney Disciplinary Board at least ten days prior to any action upon the application.

[Regulation Order October 28, 1976; Court Order December 15, 1994, effective January 3, 1995; November 9, 2001, effective February 15, 2002; April 20, 2005, effective July 1, 2005; December 5, 2007]