



Brokerage Guide to Trust Accounting

Purpose:

This guide is to assist in completing the trust account accounting and monthly reporting requirements of *The Real Estate Act*, its *Regulations*, and the Commission's Bylaws.

All brokers are responsible to ensure compliance with *The Real Estate Act*, its *Regulations*, and the Commission's Bylaws. [Part Six of the Commission's Bylaws](#) deal with the requirements for records and the handling of trust accounts.

The Real Estate Act requires that every real estate brokerage maintain one or more interest bearing trust accounts in a financial institution in Saskatchewan. Registrants must immediately pay to their broker/brokerage all trust monies received in connection with trades in real estate.

The broker must ensure that all real estate trust monies received are deposited into the real estate trust account within two business days of the day on which an offer to purchase is accepted or the day on which the money is received by the brokerage, whichever is later.

The broker is responsible for collecting, safekeeping and properly disbursing trust funds in connection with trades in real estate. Security deposits within the meaning of *The Residential Tenancies Act* are **NOT** trust funds pursuant to *The Real Estate Act*. The broker's direction and authority for dealing with trust funds comes from Section 71 of *The Real Estate Act* and Section 17 of *The Real Estate Regulations*.

A broker/brokerage must maintain records relating to the trust account(s) as outlined in Bylaw 601 in Part Six of the Commission Bylaws:

- a. books of account and all supporting records, including bank statements, duplicate deposit slips or other records of all deposits, receipts of funds, cancelled cheques and cheque stubs, a trust control ledger, the monthly trust reconciliations, the monthly trust liability listings and similar documents;
- b. agency agreements and amendments to agency agreements;
- c. property management agreements and amendments to property management agreements;
- d. accepted offers to purchase, including Residential Contracts of Purchase and Sale, Schedule "C": Special Conditions for Contract of Purchase and Sale of a Condominium Unit, Counter Offers to Contracts of Purchase and Sale, Amendments to Residential Contracts of Purchase and Sale, Notices to Remove Condition(s) on Residential Contracts of Purchase and Sale, Ancillary Services in the Purchase of Residential Real Estate forms, all schedules attached to any documents, offers to lease and amendments to offers to lease;
- e. disclosure statements pursuant to section 65 of the *Act* and sections 725.2 and 725.3 of the Commission Bylaws;
- f. any promises, guarantees or undertakings made in writing; and
- g. written records of the notification of the completion of a transaction and the authorization of disbursement of trust funds.

Bylaw 607 makes brokers and/or branch managers responsible for ensuring that all records, books and accounts are up to date.

AT LEAST ONCE A MONTH THE BROKER MUST RECONCILE THE TRUST LIABILITY TO THE BANK ACCOUNT AND PREPARE A TRUST LIABILITY LISTING.



Trust Account Reconciliation:

Commission Bylaw 614 requires the broker (or the branch manager where applicable) to ensuring that each trust account is reconciled monthly with the bank statement.

A bank reconciliation is the process of comparing the cash balance in the accounting records with the corresponding amount on its bank statement. This process helps identify discrepancies, such as missing deposits or outstanding cheques, and ensures that the brokerage's financial records are accurate. Regular bank reconciliations are crucial for detecting errors and preventing fraud.

Example of Trust Account Reconciliation:

ABC Realty Ltd.
Real Estate Trust Account
Account Number
Bank Reconciliation
June 30,20xx

Balance per Bank Statement – June 30, 20xx	13,010.00	
Less: Outstanding Cheques	- _____	
Add: Outstanding Deposits		+ _____
Reconciled Bank Balance – June 30, 20xx		13,010.00
Reconciled Trust Liability		13,010.00

Note:

All brokerages are required to maintain copies of all bank statements, **including statements where zero balances/transactions are held**. If the financial institution does not provide bank statements for zero balance/transaction accounts the broker will have to request that the bank provide a letter confirming no transactions and no balances in the account for the period.

All brokerages are required to prepare a monthly Bank Reconciliation, **including statements where zero balances/transactions are held**.



Trust Liability Listing:

Brokerages are required to keep on record a Trust Liability Listing that records the balances held at each month end on behalf of each person.

The trust liability listing shall contain the following information for all trust funds held in accordance with section 71 of the *Act*. Commission Bylaw 614 states:

614 - The broker or, where applicable, the branch manager is responsible for ensuring that each trust account is reconciled monthly with the bank statement. A trust liability listing must contain the following information for all trust funds held in accordance with section 71 of the *Act*:

- (a) the names of the parties to the transaction;
- (b) the trust account number and the name of the financial institution;
- (c) the address relating to the transaction; and
- (d) the amount of funds being held in trust for each transaction.

Example of Trust Liability Listing:

ABC Realty Ltd.
Trust Liability Listing
For the Period Ending June 30, 20xx
Account Number
Bank Name and Address

Accepted By	Transaction	Deposit Date	Completion Date	Amount
June 12/xx	123 8th Street Brown to Smith	June 12/xx	July 21/xx	2,000.00
June 12/xx	456 Taylor Street Doe to Black	June 12/xx	July 10/xx	5,000.00
June 15/xx	789 Preston Avenue Jones to White	June 15/xx	July 5/xx	3,000.00
June 19/xx	123 8th Street Brown to Smith	June 19/xx	July 21/xx	3,000.00
June 30/xx	Interest owed to SREC	June 30/xx	July 10/xx	10.00
Total Liabilities as of June 30/20xx				13,010.00
June 30/20xx Bank Balance of Statement				13,010.00



Trust Account Ledger:

Commission Bylaw 604 requires that all brokerages maintain a trust ledger for their real estate transactions. Each transaction is to be recorded promptly, in chronological order, and in an easily identifiable form. The following information must be recorded in the trust ledger:

- name(s) of the buyer and seller;
- property address;
- dates and amounts of the trust funds received and disbursed;
- a running balance of the trust funds held; and
- a transaction number (if a file numbering system is being utilized).

The trust ledger can be maintained electronically or as a hard copy.

The trust ledger must include all debit and credit transactions included on the bank statement. For further clarity, this includes interest earned in the account and interest transferred to the Commission, deposit errors and corrections. The trust ledger should mirror the bank statement.

Example of Trust Ledger:

ABC Realty Ltd.
Trust Ledger
Account Number
Bank Name and Address

Date	Description	File	Folio	Amount Received Debit	Amount Disbursed Credit	Balance
Jun 12/xx	Deposit - 123 8th Street Brown to Smith	20xx-01		2,000.00		2,000.00
Jun 12/xx	Deposit - 456 Taylor Street Doe to Black	20xx-02		5,000.00		7,000.00
Jun 15/xx	Deposit - 789 Preston Avenue Jones to White	20xx-03		3,000.00		10,000.00
Jun 19/xx	Deposit Increase - 123 8th Street Brown to Smith	20xx-01		3,000.00		13,000.00
Jun 30/xx	Interest Earned on Account			10.00		13,010.00
Jul 2/xx	Interest Transferred to SREC				10.00	13,000.00
Jul 10/xx	Commission to General - 456 Taylor Street - Doe to Black	20xx-02	Chq 001		5,000.00	8,000.00
Jul 21/xx	Commission to General - 123 8th Street - Brown to Smith	20xx-01	Chq 002		5,000.00	3,000.00

Some brokerages may find that creating individual client trust ledger cards for each trade in real estate helps keep track of their deals. Information on client trust cards, although file specific, is the same information already recorded in the client trust ledger.



Example of Individual Trust Ledger Card:

ABC Realty Ltd.
Account Number
Bank Name and Address
File: 20xx-01
Property: 123 8th Street
Brown to Smith

Date	Description	Folio	Amount Received Debit	Amount Disbursed Credit	Balance
Jun 12/xx	Deposit		2,000.00		2,000.00
Jun 19/xx	Deposit Increase		3,000.00		5,000.00
Jul 21/xx	Commission to General	Chq 002		5,000.00	0.00

Property Management Agreements:

Property management agreements must include the minimum required information below:

- (a) the name and address of the brokerage and landlord;
- (b) the identity of the property to be managed by street address, if applicable, and legal description;
- (c) the amount of fee or commission to be paid to the brokerage and when the fee or commission will be paid;
- (d) the conditions on which the brokerage holds funds in trust for a landlord;
- (e) authorization of the landlord to transfer trust funds, when conditions of trust have been met, to an operating account on the landlord's behalf;
- (f) a disclaimer which states that once funds are removed from the property management trust account, in accordance with the conditions of trust, the funds are no longer considered as trust funds under *The Real Estate Act*. No claim can be made under the Real Estate Assurance Fund once funds are removed from the property management trust account in accordance with item (e).
- (g) an expiry date of the agreement;
- (h) the date of agreement.

Property Management Monthly Statement:

A broker shall prepare the following monthly statements with respect to each property management client:

- (a) a statement of receipts and disbursements that records:
 - i. the balance carried forward from the statement of the previous month;
 - ii. the funds received in trust for property management;
 - iii. the amount of each disbursement and to whom it was made; and
 - iv. the balance at the end of the month; and
- (b) any other financial statement that the broker agrees to provide to the client. The broker shall keep these statements on file and shall make them available to property management clients on request.



Records of Deposit and Disbursements:

Cheques and Cheque Stubs: All brokerages must maintain copies of all transactions affecting the trust account. A reference to the transaction must be on each cheque drawn on the trust account and all voided cheques must be accounted for.

Electronic Deposits and Disbursements: All brokerages must maintain original records of electronic deposits and disbursements that must be signed and dated by the broker.

Electronic deposit records must indicate the account number, date, amount and details of the deposit.

Electronic disbursement records must be reviewed, signed and dated by the broker on the date of the transfer or the next business day. Before funds are electronically transferred out of the account, there must be written authorization for the transfer by the broker.

Example: EFT/E-transfer deposits and disbursements must have the broker's signature and date on each document.

ATM deposits must have the broker's signature and date on each document.

Commission Bylaw 615 requires that all disbursements from trust accounts be made by cheque or electronic transfer.

Cash should never be withdrawn from a trust account.

Trust Account Inspections:

Section 32 of the *Act* states:

Inspection of records

32(1) The Commission, or a person authorized in writing by the Commission, may at any reasonable time inspect the records of a brokerage to determine whether:

- (a) the amount of funds held in trust is the amount for which the brokerage is accountable;
- (b) the brokerage maintains its records as required by this *Act*, the regulations and the bylaws;
- (c) the brokerage and its registrants are complying with this *Act*, the regulations and the bylaws.

(2) The person making the inspection may demand the production of the records of the brokerage with respect to which the inspection is being made.

(3) A brokerage shall make its records available for inspection to a person mentioned in subsection (2).

Of note is Commission Bylaw 616:

616 - The Commission may order and/or provide for the audit of a brokerage's books, records and accounts and may require the brokerage to pay a reasonable sum to cover the cost of the audit.



The Inspection Process

If your brokerage is selected for an inspection, be advised that the Commission will be reviewing the following:

- A listing of your authorized signatures along with a sample signature of each.
- For the selected months, for each trust account:
 - Trust ledgers
 - Trust liability listings
 - Bank reconciliations
 - Backup documentation of each of the selected transfers into the trust account (e.g., deposit slips/receipts, e-transfer confirmation, copy of the cheque)
 - Backup documentation of each of the selected transfers out of the trust account, including:
 - Support for the release of funds (e.g., instructions from the lawyer, documentation indicating that the deal fell through and the deposit was returned, invoices); and
 - A retained copy of the transaction (e.g., the e-transfer confirmation, EFT confirmation, or cancelled cheque)
- For a select number of transactions, the file including the listing documents, transactions documents, FINTRAC forms, deposit summary slip to confirm when the funds were deposited into the trust account, and documentation supporting the disbursement of trust funds held with respect to the deal.
- For a select number of property management clients, the property management file including the management agreement, the financial summary for the selected months for each selected client, termination letter (if no longer a client), the tenant/lease agreements for the client/property, the deposit slip summary to confirm when the funds were deposited into the trust account.

Trust Check Process:

In addition to Trust Inspections, the Commission will conduct random trust account liability listing and trust reconciliation checks ("Trust Check").

If your brokerage is selected for a Trust Check, you will be asked to provide a copy of the trust liability listing, trust account reconciliation, and bank statement for a trust account for a specific month.

Trust Checks are intended to ensure the trust account accounting and monthly reporting requirements of *The Real Estate Act*, its *Regulations*, and the Commission's Bylaws are being completed by brokerages correctly and in a timely manner.

For more information contact the Commission directly:

Saskatchewan Real Estate Commission

104 - 210 Wellman Crescent
Saskatoon, Saskatchewan S7T 0J1

Phone: 306.374.5233

Toll Free: 1.877.700.5233

Email: info@srec.ca



Trust Accounting Declaration Statement

I, _____, acknowledge and declare as follows:

That I am currently registered as a Broker, Branch Manager, or Associate Broker with the following brokerage:

That I have read and understand the contents of the Broker Guide to Trust Accounting as provided by the Commission.

That I am aware of my obligation to know, understand and conduct my business as a registrant in strict accordance with *The Real Estate Act* of Saskatchewan, its *Regulations* and the Commission Bylaws.

That compliance with *The Real Estate Act*, its *Regulations* and the Commission Bylaws is essential for the protection of the public and the real estate industry in Saskatchewan.

That should I become aware of any error, inaccuracy, or deficiency with respect to trust funds or trust accounting I will immediately report the same to the Commission.

Date

Signature