

Moving money online

real time, real value



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New real time funds transfer system to complement e-reg™

Real estate practitioners can now complete another important aspect of their transactions – the transfer of closing funds – electronically, from their computer desktops.

LAWPRO and BMO Bank of Montreal have launched a real time funds transfer system that lets a purchaser's lawyer deliver closing funds for an electronic registration (e-reg™) transaction to the vendor's law firm electronically, real time, real value. The system, now available to lawyers across Ontario, was specifically designed to complement and streamline real estate transactions in the e-reg™ environment. It uses BMO's Directline® product as its technology platform.

Directline reduces the need for lawyers to physically meet each other or send closing funds by courier in escrow. Instead, the new technology solution – which is completely optional for lawyers working in the e-reg™ environment – ensures immediate, real value settlement of funds in real estate transactions. Using this PC-based system, lawyers can retrieve account information and perform financial transactions, including the transfer of funds from one BMO trust account to that of another lawyer also set up on the system, from their desktops, in real time.

An added advantage is that funds transferred through this program will be considered "cleared" funds in the selling lawyer's trust account as soon as a transfer is received; this eliminates the need for the vendor law firm to contact the bank to determine if and when the deposit has occurred and the form of the funds deposited, thus adding an important measure of security for vendor lawyers concerned about the type of funds provided by purchasers' lawyers in a transaction. As well, it reduces the chance that a

closing can be delayed because of delays in depositing or transferring funds in a timely manner.

To facilitate this initiative and address any risk management issues it raises, the Law Society amended its practice guideline regarding the payout of existing institutional mortgages in June 2002. According to Practice Guideline 5 – "Electronic Payment of Closing Proceeds and Discharge Funds" – in situations where the electronic real time cleared funds transfer capability is used, "it would be acceptable for the purchaser's solicitor to transfer the amount required to pay out an institutional mortgage directly to the vendor's solicitor's trust account." The purchaser's lawyer then would rely on the vendor's lawyer to obtain a mortgage discharge.

To access the system, which is available on an extended hours basis, six days a week, lawyers need only a user identification and password. Participating law firms must have trust accounts with BMO Bank of Montreal, and must have submitted required legal agreements to the Bank before they can use Directline real time transfers for their transactions. Copies of the forms are available on the LAWPRO Web site at www.lawpro.ca/news.

"As e-reg™ expands across Ontario, and lawyers undertake conveyancing that is more distant from where they practise, the ability to undertake remote, real time electronic transfer of closing proceeds becomes more critical," says TitlePLUS Vice-President Kathleen Waters, who represented LAWPRO on the project. "This system is a much-needed companion to e-reg™ that further frees up the lawyer to focus on providing advice and service to clients rather than have to wait in line at the registry office."

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