



How the Right Bank Can Help Your Law Firm and Your Clients

BY SARAH GUINDY, SENIOR DIRECTOR OF NEWLAW BANKING, BANK OF NEVADA, A DIVISION OF WESTERN ALLIANCE BANK; REVIEWED BY DARA J. GOLDSMITH, ESQ.

For attorneys in Nevada, choosing the right bank isn't as easy as walking into a local branch and opening an account. Unlike many of their clients, law firms operate in a unique professional environment, one that is marked by strict financial, ethical, and regulatory considerations that differentiate them from more traditional businesses.

Nevada law firms are bound by these stringent regulations at both the national and state level. For example, in its Model Rules of Professional Conduct, the American Bar Association (ABA) has several requirements around banking, including requiring that law firms maintain separation of operating and escrow accounts to prevent commingling of client funds, safeguard against fraud, and ensure compliance with ethical standards.

Lawyers who are licensed to practice in Nevada must also abide by ethical rules and regulations, including establishing client trust accounts, or IOLTAs, in instances where they receive and hold funds from clients or third parties. Those rules include ensuring that the financial

institution they use for funds related to any matter that arose in Nevada is either headquartered in Nevada or has at least one physical branch in Nevada.

Partnering with a bank that understands the legal sector and the unique needs of law firms and attorneys can make a significant difference, helping them to remain in compliance with all the relevant regulations, improving their operational efficiencies, and allowing them to manage their strategic growth. Bankers who are knowledgeable about the legal industry can also serve as trusted advisors, helping to anticipate issues, providing creative solutions, and ensuring flexibility as firms grow and change.

How the Right Banker Can Help

Cash Flow Management and Flexible Financing Options

Unlike businesses with more predictable revenue streams, law firms often experience fluctuating cash flows. Those who work on a contingency basis or whose clients may be on extended payment plans will know how complicated it is to budget both day-to-day operations and long-term strategies, exacerbated by the fact that funds expected to come in via contingency are not considered traditional receivables, and have different underwriting requirements. The right banker can help to navigate these challenges and ensure a steady cash flow for operations, infrastructure, and growth.

And when law firms require access to capital for various needs, including office investments and operational expenses, a full-service bank can help in a variety of ways. That help includes providing commercial real estate loans to finance office space expansions and lines of credit to manage monthly expenses between billing cycles.



PHOTO CREDIT: SHUTTERSTOCK.COM

Comprehensive Escrow Services

When clients are involved in acquisitions or sales, having escrow accounts managed by a trusted bank can simplify transactions. While other financial institutions offer escrow services, banks with legal sector expertise can provide added security and personalized service, enhancing client confidence and satisfaction. Law firms should look for banks that offer a full range of escrow services, including accelerated onboarding, single-wire funding, enhanced yield opportunity, easy paper, and other customer-friendly approaches.

Fraud Protection and Security

Law firm relationships are built on trust, and financial matters are no exception. The right banking partner will constantly be concerned with cybersecurity and fraud, working tirelessly to update and implement the financial safeguards that protect the firm and its clients. It's important to ask if potential banking partners use industry standards from organizations such as NIST for cybersecurity, Federal Financial Institutions Examination Council (FFIEC) examination guidelines, COBIT (Control Objectives for Information and Related Technologies) and ITIL (Information Technology Infrastructure Library) frameworks to help ensure the highest levels of protection and security.

Partner Buyout Solutions

As a law firm grows and evolves, partner buyouts may become necessary, either when partners are added or leave, or as part of a succession plan. These moves often require substantial financial planning and resources. A bank with legal sector expertise can provide the right loan options and financial advice, which facilitates smooth and efficient buyouts.

By partnering with a bank that understands their unique needs and challenges, Nevada law firms can enhance their financial management, ensure compliance with regulatory requirements, and provide exceptional service to their clients – all while benefiting the firms' partners. Whether it's through advanced treasury management, flexible financing options, or comprehensive settlement and escrow services, the right banking partner can significantly improve operational efficiency and financial stability, paving the way for sustained growth and success.

Client Payment Preferences

Many clients increasingly prefer flexible payment options, and that includes credit cards and online payments. To succeed, law firms need to be able to take payments in ways clients prefer – and they need a bank with experience helping law firms understand and manage these payment options.

Specialized Settlement Services

For law firms that are involved in class action or mass torts, specific expertise is required to bank the entire settlement process, including providing a single point of contact to handle all phases from escrow to distribution. This service can mitigate issues such as long holds on large settlement checks and reduce difficulties in paying unbanked clients with digital payment options, which offer more efficient and reliable access to funds. Banks with experience in this area also know how to protect settlement funds.

Advanced Treasury Management

Sophisticated treasury management tools can help to accelerate receivables, optimize payment practices, and ensure proper handling of IOLTA, in compliance with all Nevada laws. According to the State Bar of Nevada, some of the things a licensee can do to remain in compliance include naming an account with your firm name and a subtitle of IOLTA account, trust account, or client funds account. The tax ID on the account should also be the tax ID for the Nevada Bar Foundation.

The state bar also suggests considering a bank that is part of the Leadership Institution program and offers premium rates on all IOLTA accounts under deposit, which helps fund legal aid.



SARAH GUINDY is senior director of NewLaw Banking for Bank of Nevada, a division of Western Alliance Bank, serving attorneys, law firms, and the legal community, as well as large corporate clients throughout Southern Nevada. She joined the organization in 2004 and has more than 30 years of banking industry experience. She can be reached at squindy@bankofnevada.com.