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Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Notice of Hearing

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULES
AND
PAUL VINCENT ONGCAPIN ENCARNACION AND MARI SOPHIA MENDOZA ENCARNACION**

NOTICE OF HEARING

A first appearance will be held before a Hearing Panel of the Canadian Investment Regulatory Organization (“CIRO”)¹ pursuant to Mutual Fund Dealer Rule 7.3 to schedule a hearing in the matter of Paul Vincent Ongcapin Encarnacion and Mari Sophia Mendoza Encarnacion (the “Respondents”). The first appearance and the hearing will be subject to Mutual Fund Dealer Rule 7, and the Mutual Fund Dealer Rules of Procedure (“Rules of Procedure”), as further referenced below, that govern the conduct of enforcement proceedings.

The first appearance will be held by way of videoconference on Monday, April 21, 2025 at 10:00 a.m. ET

The purpose of the hearing will be to determine whether the Respondents have contravened CIRO requirements. A summary of the facts alleged and intended to be relied upon by CIRO, the conclusions drawn by CIRO based on the alleged facts, and alleged contraventions are contained in the Statement of Allegations attached to this Notice of Hearing.

If the Hearing Panel finds that the Respondents have contravened CIRO requirements as alleged in the Statement of Allegations, the Hearing Panel may impose one or more of the following sanctions pursuant to Mutual Fund Dealer Rule 7.4.1.1:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000 for each offence, and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;

- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time; and
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel.

In addition, pursuant to Mutual Fund Dealer Rule 7.4.2, a Hearing Panel may require the Respondents to pay any costs incurred by or on behalf of CIRO in connection with the proceeding and any investigation related to the proceeding.

The Respondents must serve on Enforcement Staff a Reply to this Notice of Hearing in accordance with Rule of Procedure 8 and Mutual Fund Dealer Rule 7.3.2 within 20 days from the effective date of service of this Notice of Hearing. The Respondents must also file the Reply at the Hearing Office in accordance with Rule of Procedure 4.6.

The Reply may either:

- (a) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondents, and the conclusions drawn by the Respondents based on the alleged facts) any or all of the facts alleged or the conclusions drawn by CIRO in the Statement of Allegations; or
- (b) admit the facts alleged and conclusions drawn by CIRO in the Statement of Allegations and plead circumstances in mitigation of any penalty to be assessed.

Pursuant to Mutual Fund Dealer Rule 7.3.3 and Rule of Procedure 8.3, the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by CIRO in the Statement of Allegations that the Respondents do not specifically deny in the Reply.

Pursuant to Mutual Fund Dealer Rule 7.3.4 and Rules of Procedure 7.3 and 8.4, if the Respondents fail to:

- (a) serve and file a Reply; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a Reply may have been served,

the Hearing Panel may, among other things, proceed with the hearing on the date and at the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without further notice to and in the absence of the Respondents, and the Hearing Panel may accept as proven the facts, conclusions, and contraventions alleged in the Statement of Allegations, and may impose sanctions and costs.

The Respondents are entitled to attend the hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, to present evidence, and to make submissions to the Hearing Panel at the hearing.

DATED March 7, 2025.

“National Hearing Officer”

NATIONAL HEARING OFFICER

Canadian Investment Regulatory Organization

40 Temperance Street, Suite 2600

Toronto, Ontario, M5H 0B4

¹ Where the rules, by-laws, and policies of the Mutual Fund Dealers Association of Canada (the “MFDA”) that were in force immediately prior to amalgamation of the Investment Industry Regulatory Organization of Canada and the MFDA have been incorporated into the Mutual Fund Dealer Rules, Enforcement Staff have referenced the relevant section of the Mutual Fund Dealer Rules.



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Statement of Allegations

IN THE MATTER OF
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AND
PAUL VINCENT ONGCAPIN ENCARNACION AND MARI SOPHIA MENDOZA ENCARNACION
STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated March 6, 2025, Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

Contravention 1: Between March 2023 and August 2023, the Respondents received monies from a client, which gave rise to a material conflict of interest that the Respondents failed to identify, report to the Dealer Member, or address in the best interests of the client, contrary to Mutual Fund Dealer Rule 2.1.4(2).

Contravention 2: In March 2023, the Respondent Paul Vincent Ongcapin Encarnacion was named the sole beneficiary of a client's will, which gave rise to a material conflict of interest that he failed to identify, report to the Dealer Member, or address in the best interests of the client, contrary to Mutual Fund Dealer Rule 2.1.4(2).

Contravention 3: Beginning in August 2023, the Respondents made false or misleading statements to the Dealer Member during its investigation, contrary to Mutual Fund Dealer Rule 2.1.1.

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Beginning in March 2023, the conduct of Paul Vincent Ongcapin Encarnacion (“**Paul**”) and Mari Sophia Mendoza Encarnacion (“**Sophia**”) (collectively the “**Respondents**”) gave rise to multiple material conflicts of interest with a client, which they failed to identify, report to the Dealer Member, or address in the best interests of the client. Specifically, the Respondents received \$1 million from the client, which they deposited into their personal bank accounts and invested for their own benefit. In addition, the client, with Paul’s knowledge, named Paul as the sole beneficiary under the client’s will.

2. Beginning in August 2023, following the discovery of the misconduct, the Respondents further misled their Dealer Member by failing to disclose the full amount of money they had received from the client and that they had spent a substantial sum on personal expenses.

3. In total, the Respondents retained \$114,131 of the money received from the client. In addition, Paul retained \$15,130 in commissions received by investing the money received from the client in his own name and in the name of Sophia.

Registration History

4. Between May 9, 2007 and February 20, 2024, Paul was registered as a dealing representative in Ontario with PFSL Investments Canada Ltd. (the “**Dealer Member**”), a Dealer Member of CIRO.

5. Between July 9, 2010 and September 6, 2023, Paul was designated as a branch manager by the Dealer Member.

6. Between November 12, 2014 and February 20, 2024, Sophia was registered as a dealing representative in Ontario with the Dealer Member.

7. On February 20, 2024, the Respondents were terminated by the Dealer Member in connection with the matters that are the subject of this proceeding, and neither is registered in the securities industry in any capacity.

8. At all material times, the Respondents conducted business in the Mississauga, Ontario area.

Background

9. At all material times, client PK was a client of the Dealer Member whose accounts were serviced by Paul. At the time of the alleged misconduct described below, client PK was 85 years old and living in a retirement home.

10. On December 4, 2018, client PK executed a will naming Sophia and a third party, MT,¹ joint-executors. The will provided compensation to the executors of an amount equal to 10% of the total value of the estate. In addition, the will directed the executors to retain Paul as an investment counsellor, who would be paid 1% of the total value of the estate for every full year of service. The will left the residue of the estate to a university for the purpose of creating a scholarship.

11. In March 2023, the Respondents learned from client PK that he had executed a new will in 2022 (the “**2022 Will**”). In the new will, client PK had removed all mention of the Respondents and named other individuals as his executor and the beneficiaries of his will.

12. Shortly thereafter, as described below, the Respondents received substantially all the value of client PK’s investment accounts and, with Paul’s knowledge, client PK executed a new will naming Sophia as executor and Paul as the sole beneficiary.

¹ MT passed away in May 2021.

Contravention 1 – Conflict of Interest from Receiving Client Money

13. At all material times, the Dealer Member's policies and procedures prohibited its Approved Persons from receiving monetary or non-monetary benefits from clients that do not flow from the Dealer Member or its affiliates.

14. Towards the end of March 2023, Paul processed redemptions to redeem substantially all the mutual funds in client PK's Tax-Free Savings Account and non-registered account, resulting in net proceeds of \$987,562, which were deposited into client PK's bank account. Client PK realized capital gains of \$220,433 because of the redemptions, which were subject to income tax.

15. On or around April 1, 2023, Paul received two cheques from client PK written to Paul for \$925,000 and \$75,000, respectively. Paul completed the cheques, which were then signed by client PK.

16. On April 3, 2023, Paul deposited the \$925,000 cheque in his personal bank account. Subsequently, the Respondents used \$600,000 and \$200,000 to purchase mutual funds in investment accounts opened with the Dealer Member in the name of Paul and Sophia, respectively, \$100,000 was transferred to a joint bank account held by the Respondents, and \$25,000 was left in Paul's personal bank account.

17. Paul received commissions of \$39,060 arising from the mutual fund purchases. In addition, Paul and Sophia invested \$88,000 and \$112,000 in Registered Retirement Savings Plan accounts, respectively, which would generate significant tax savings.

18. On the New Account Application Forms for the investment accounts opened by the Respondents, the Respondents noted the source of funds as "personal savings".

19. Between April and August 2023, the Respondents spent approximately \$112,000 of the \$125,000 retained in their bank accounts, substantially all on their personal expenses.

20. On August 3, 2023, Paul deposited the \$75,000 cheque received from client PK into the Respondents' joint bank accounts. The Respondents continued to spend the remaining money received from client PK on personal expenses.

21. The Respondents failed to disclose to the Dealer Member that they had received \$1 million from client PK as described above.

22. Following the discovery of the conduct described above, the Dealer Member recovered \$885,869 from the Respondents and returned the money to client PK. In addition, the Dealer Member clawed back \$23,930 of the commissions earned by Paul by investing the money received from client PK in accounts in his and in Sophia's name as described above at paragraphs 15 and 16.

23. Accordingly, the Respondents retained \$114,131 of the money received from client PK for their own benefit and Paul retained \$15,130 of the commissions he earned described above.

24. By virtue of the foregoing, the Respondents conduct gave rise to a material conflict of interest, which the Respondents failed to identify, disclose to the Dealer Member, or address in the best interests of the client, contrary to Mutual Fund Dealer Rule 2.1.4(b).

Contravention 2 – Conflict of Interest from Being Named a Beneficiary of a Client's Will

25. As described above, in March 2023 the Respondents learned of the 2022 Will, which no longer named them in any capacity.

26. On or about March 31, 2023, Paul assisted client PK with completing and executing a new will. As Paul was aware, the new will named Sophia as the sole executor and Paul as the sole beneficiary.

27. Paul failed to disclose to the Dealer Member that he had been named as the sole beneficiary of client PK's will.

28. By virtue of the foregoing, a material conflict of interest arose between Paul and client PK, which Paul failed to identify, disclose to the Dealer Member, or address in the best interests of the client, contrary to Mutual Fund Dealer Rule 2.1.4(b).

Contravention 3 – Misleading the Dealer Member

29. Between August and November 2023, the Dealer Member, as part of its investigation, asked the Respondents numerous times to account for the \$125,000 of the \$925,000, received from client PK, which had not been deposited in accounts with the Dealer Member.

30. In their responses, the Respondents told the Dealer Member that substantially all the \$125,000 had been saved by the Respondents, except for small amounts spent on expenses for client PK. These statements were false or misleading and omitted material information. Specifically, the Respondent failed to disclose that they had spent substantially all the \$125,000 on personal expenses and received an additional \$75,000 from Client PK, which the Respondents had not disclosed to the Dealer Member.

31. On January 22, 2024, the Respondents provided the Dealer Member with a money order in the amount \$85,869 to be returned to client PK. The Respondents failed to disclose that this amount was made up of the additional \$75,000 received from client PK and unknown to the Dealer Member.

32. By virtue of the foregoing, the Respondents made misleading statements to the Dealer Member during its investigation, contrary to Mutual Fund Dealer Rule 2.1.1.

DATED at Toronto, Ontario this 6th day of March 2025.