

Re Encarnacion

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Paul Vincent Ongcapin Encarnacion and Mari Sophia Mendoza Encarnacion

2026 CIRO 13

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: December 1 – December 3, 2025 (hearing on liability, via videoconference), in Toronto, Ontario
Decision: April 16, 2026

Hearing Panel:

Deborah Anshell, Chair, Tim Pryor and Mary Savona

Appearances:

Alan Melamud, Senior Enforcement Counsel

Rafal Szymanski, for Paul Vincent Ongcapin Encarnacion and Mari Sophia Mendoza Encarnacion

Paul Vincent Ongcapin Encarnacion (present)

Mari Sophia Mendoza Encarnacion (present)

REASONS FOR DECISION ON THE MERITS

INTRODUCTION

[1] This was a disciplinary hearing by Enforcement staff (**Staff**) of the Canadian Investment Regulatory Organization (**CIRO**) against Paul Vincent Ongcapin Encarnacion (**Paul**) and against Mari Sophia Mendoza Encarnacion (**Sophia**), (collectively the **Respondents**) for three contraventions of CIRO's rules relative to the Respondents acting in a situation of conflict of interest and making false or misleading statements to the Dealer Member. These were set out as three contraventions as follows:

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 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.

[2] A copy of Staff's Statement of Allegations is attached to these reasons as Appendix 1.

[3] The Respondents filed a reply (**Reply**) that admitted facts alleged and conclusions drawn by Staff in paragraphs 7 and 13 of the Statement of Allegations. The Respondents denied the facts alleged and conclusions drawn by Staff contained in paragraphs 1-3, 8-12 and 14-32 of the Notice of Hearing and Statement of Allegations.

[4] At an appearance by videoconference, with Staff and the Respondents' counsel in attendance, Staff recommended and the Respondents concurred that we set aside three full hearing days for the hearing on the merits. The hearing on the merits was held on three days, from December 1 – 3, 2025.

[5] Following the hearing, the Panel decided that Staff had proven Contravention 1 and 3 against the Respondents and Contravention 2 against the Respondent Paul, and that it would issue reasons for its decision. The matter of sanctions was left to a further oral hearing.

ANALYSIS

FIRST ISSUE: CONTRAVENTION 1

[6] The basic facts in this proceeding are set out in the Statement of Allegations. Additional particulars were provided at the hearing on the merits by witnesses and affidavits admitted in evidence. Some of the facts the Panel took special notice of were:

- 1) Beginning in March 2023, the Respondents received \$1 million from the client, which was deposited into their personal bank accounts and invested for their own benefit.
- 2) 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.
- 3) Between July 9, 2010, and September 6, 2023, Paul was designated as a branch manager by the Dealer Member.
- 4) Between November 12, 2014, and February 20, 2024, Sophia was registered as a dealing representative in Ontario with the Dealer Member.
- 5) 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, client PK was 85 years old and living in a retirement home.
- 6) The Respondents ultimately received substantially all of the value of PK's investment accounts.
- 7) 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.
- 8) Towards the end of March 2023, Paul processed redemptions to redeem substantially all of the mutual funds in PK's Tax-Free Savings Account, and non-registered account, resulting in net proceeds of \$987,562.00, which were deposited into client PK's bank account. PK realized capital gains because of the redemptions.
- 9) On or around April 1, 2023, Paul received two cheques from PK written to Paul for \$925,000.00 and \$75,000.00.
- 10) On April 3, 2023, Paul deposited the \$925,000.00 cheque in his personal bank account. He then purchased mutual funds in investment accounts opened with the Dealer Member.
- 11) Between April and August 2023, the Respondents spent approximately \$112,000.00 of the \$125,000.00 that was retained in their bank accounts, almost all on personal expenses.
- 12) On August 3, 2023, Paul deposited the \$75,000.00 cheque received from PK in Paul's joint bank account with Sophia.

Staff's Submissions

[7] Staff submitted that Paul's evidence was that client PK wished to gift the money in his investment accounts to Paul to use as he wished, with the sole proviso that Paul ensure that PK's living expenses were paid for the rest of his life.

[8] Between March 24th and 30th, 2023 Paul processed nine redemptions to redeem substantially all the mutual funds in PK's Tax-Free Savings Account and non-registered account, resulting in net proceeds of \$987,562.00 which were deposited in client PK's bank account.

[9] The nine redemptions were executed using DocuSign, an electronic signature platform. The email used for DocuSign for client PK was a new email address that was set up for PK with Paul's assistance.

[10] On or around April 1, 2023, PK signed two cheques, filled out by Paul, which were written to Paul for \$925,000.00 and \$75,000.00 respectively.

[11] On April 3, 2023, Paul deposited the \$925,000.00 cheque into his personal bank account. Prior to this deposit, Paul's bank account was overdrawn and the balance was -\$5.45. With these funds, Paul invested \$600,000.00 in mutual funds in new investment accounts. Paul was the Approved Person of record for his new accounts.

[12] On April 14, 2023, Paul transferred \$300,000.00 to a joint account held by Paul and Sophia. Prior to this deposit, the joint account held \$98.08. From this joint account, \$200,00.00 of this amount was invested by Sophia in mutual funds.

[13] Paul earned commissions of \$39,060.00 from the mutual fund purchases. Further funds were invested in Registered Retirement Savings Plan accounts.

[14] At the relevant time, the Dealer Member's policies and procedures prohibited advisors from receiving monetary or non-monetary benefits from clients.

[15] It is notable that prior to these events, Paul had made a Consumer Proposal on September 4, 2013. Paul failed to disclose the Consumer Proposal to the Dealer Member and the Ontario Securities Commission.

[16] In April 2023, the Respondents spent over \$100,000.00 of the money received from PK on personal expenses, including spending over \$50,000.00 on credit card payments and other loans.

[17] Staff submitted that the evidence established and the Respondents admitted that:

- a) In March 2023 Paul processed a number of redemptions in PK's investment accounts with the express purpose that PK would give the proceeds of redemption to Paul;
- b) In April 2023, PK provided Paul with two cheques in the amounts of \$925,000.00 and \$75,000.00 which were later deposited into the Respondents' bank accounts;
- c) In April 2023, the Respondents opened investment accounts where \$600,000.00 was invested under Paul's name, and \$200,000.00 was invested in Sophia's name;
- d) In April 2023, the Respondents spent \$100,000.00 of the funds received from PK on personal expenses and debt repayment;
- e) The Respondents did not disclose their receipt of PK's money to the Dealer Member until after the Dealer Member launched its own investigation in response to a complaint.

[18] Paul admitted during the hearing that he was aware that the receipt of PK's funds gave rise to a conflict of interest.

[19] The Respondents contravened Mutual Fund Dealer Rule 2.1.4(2) when they received \$1 million from PK.

Respondents' Submissions

[20] The Respondents in their factual submissions noted that Paul first met PK in around 2007 or 2008 when they both worked at PFSL. They immediately got along with a shared sense of humour. They routinely chatted on the phone, went for coffee, or went out for dinner. Their friendship continued after PK's retirement in 2013 or 2014.

[21] PK became Paul's client when he retired. PK was more than a client; he was like family to the Respondents. PK babysat the Respondents' daughters. He dog sat for the Respondents.

[22] The Respondents took PK to medical appointments, including going as far as Smith Falls for a knee replacement in 2019.

[23] The Respondents moved to Toronto in 2020 so that they could be closer to their daughter. The relationship with PK continued after the move, and they remained in touch.

[24] The Respondents noted that there is no dispute that Paul received two cheques from PK: one for \$925,000.00 and the other for \$75,000.00. There is also no dispute that this money was deposited in their joint bank account and was not disclosed to PFSL in a timely manner.

[25] Both Respondents admitted that this was a conflict of interest. They explained that there was a sense of urgency created by PK's concerns that he was being manipulated by IE. The Respondents noted that both Respondents let their personal relationship with PK interfere with their professional obligations towards him.

[26] The Respondents noted that Paul did the best he could in difficult and stressful circumstances. The Respondents allowed their friendship and loyalty to PK to overshadow the fact that he was also a client to whom they owed a professional obligation.

Conclusions with Respect to Contravention 1

[27] The Panel has concluded that 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).

[28] There was no evidence adduced that contradicted Staff's findings with respect to this contravention. The evidence was clear that Paul received two cheques from PK while he was Paul's client.

[29] Staff established that the Respondents facilitated and accepted \$1 million from PK, which represented substantially all the value of PK's investments. The Respondents used that money for their own investments and spent a further \$100,000.00 to pay personal loans and credit card debt.

[30] The Panel agrees with Staff that Mutual Fund Dealer Rule 2.1.4(2) requires that Approved Persons identify material conflicts of interest, report such conflicts to the Dealer Member, and resolve such conflicts in the best interest of the client or avoid such conflicts where they cannot be so resolved, Mutual Fund Dealer Rule 2.1.4(2).

[31] The law is clear that a serious conflict of interest arises where an Approved Person receives client money for their own benefit.¹

[32] Receipt by an Approved Person of a client's money, even if done for the client's benefit is a breach of former Mutual Fund Dealer Rule 2.1.4.²

[33] The Panel finds that it is indisputable that both Respondents contravened Mutual Fund Dealer Rule 2.1.4(2) when they received the \$1 million from PK. Staff has met its onus of proving this contravention without any contrary evidence provided by the Respondents that would alter the Panel's conclusion with respect to Contravention 1.

SECOND ISSUE: CONTRAVENTION 2

[34] The relevant facts with respect to Contravention 2 included the following:

- 1) On December 4, 2018, PK executed a will naming Sophia and a third party, MT, joint executors. The will provided compensation to the executors of an amount equal to ten percent 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 one percent 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.
- 2) In March 2023, the Respondents learned from PK that he had executed a new will in 2022 (the **2022 Will**). In the 2022 Will, PK removed all mention of the Respondents and named other individuals as his executor and the beneficiaries of his will.
- 3) Subsequently, PK executed a new will on March 31, 2023, (the **2023 Will**) naming Sophia as executor and Paul as the sole beneficiary.
- 4) The 2023 Will was prepared with Paul's assistance.

¹ *Re Gaunt* MFDA 201232

² *Re Pilkey* MFDA 201747

- 5) Paul failed to disclose to the Dealer Member that he had been named as the sole beneficiary of the 2023 Will.
- 6) A material conflict of interest allegedly arose then between Paul and 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).

Staff's Submissions

[35] At all material times, PK was a client of the Dealer Member whose accounts were serviced by Paul. At the relevant time, PK was 84 years old, living alone in a retirement residence. PK had no family in Canada. Further, due to renovations at his retirement residence, PK was being forced to move to a different retirement residence. This caused PK stress over the loss of the friendships he had made at the retirement residence where he had lived for fifteen years.

[36] In March 2023, Paul met with PK and inquired about the status of his will. PK had previously executed a will on December 4, 2018 (the **2018 Will**). The 2018 Will named Sophia and a third-party joint-executors and provided compensation to the executors at an amount equal to 10% of the total value of the estate. Further, the 2018 Will directed the executors to retain Paul as an investment counsellor, for a fee of one percent of the total value of the estate annually. The 2018 Will left the residue of the estate to a university for the purpose of creating a scholarship.

[37] The 2018 Will was prepared by PK's lawyer, Dan Dunlap.

[38] At the March 2023 meeting, PK showed Paul the 2022 Will. This will named IE, a long-time friend of PK as joint executor with another individual. Several beneficiaries were named. The 2022 Will did not include Paul or Sophia as executor, power of attorney, or beneficiary. The 2022 Will was also prepared by Dan Dunlap.

[39] Paul's position is that PK panicked at seeing the 2022 Will. He did not recall making these changes. He expressed that he felt that he had been manipulated by IE.

[40] In response, Paul assisted PK with obtaining a new email address. He also facilitated the preparation of a new will for PK, the 2023 Will, which named Paul as the sole beneficiary.

[41] Paul did not contact Dan Dunlap with respect to creating a new will. Rather, Paul signed PK up with Pre-Paid Legal. Further, Paul prepared a handwritten note addressed to Dan Dunlap, asking that the 2022 Will be cancelled.

[42] Paul completed the Pre-Paid Legal will questionnaire with PK. Approximately one week later, Pre-Paid Legal returned a final will and continuing power of attorney, which were executed by PK on or about March 31, 2023. This 2023 Will and Continuing Power of Attorney dated March 31, 2023, named Sophia as executor and power of attorney, and Paul as the sole beneficiary.

[43] Paul admitted during the hearing that he recognized at the time that being named the sole beneficiary of the 2023 Will gave rise to a conflict of interest.

[44] Staff submitted that the evidence established, and Paul admitted during the hearing that he was aware and facilitated PK naming him the sole beneficiary in the 2023 Will.

[45] Staff relies on *Marrone (Re)* and in particular paragraphs 153-154, as follows:

"An Approved Person who is named as a beneficiary of a client's estate or on a client's account is in an actual or potential conflict of interest, particularly when the beneficial entitlement includes the investment assets being managed by the Approved Person.

MFDA Hearing Panels have found that an Approved Person who becomes a named beneficiary of a client's estate or account is in a conflict of interest that must be reported and addressed in accordance with MFDA Rule 2.1.4"³

[46] Staff submitted that by failing to make the required disclosure to his Dealer Member, Paul was placing

³ *Re Marrone*, 2022 ONCMT 13, paras. 153-154

his own interests above that of his client. As such, Paul contravened Mutual Fund Dealer Rule 2.1.4(2) by failing to report to his Dealer Member that he had been named the sole beneficiary of PK's 2023 Will.

Respondents' Submissions

[47] The Respondents submitted that at the time the 2022 Will was discovered, PK was surprised and concerned that Sophia was no longer his power of attorney.

[48] This was a novel situation for Paul. Paul stated that it was uncharacteristic for PK to simply forget significant events like revising his will, lending further credibility to PK's concerns about the 2022 Will.

[49] In response to this discovery, Paul stated that PK decided to take three steps: 1) he asked Paul to help him change his will back to how it was; 2) he asked Paul to transfer his investments to Paul to keep them from IE as a method of ensuring his day-to-day expenses were paid; and 3) he asked Paul to help him create a new email account. Paul agreed to these requests.

[50] PK asked if a will kit could be ordered from Pre-Paid Legal Service, which is a referral service approved by PFSL. Paul enrolled PK in the Prepaid Legal Service which took 24-48 hours to process. A will kit was ordered after PK's membership was processed.

[51] Paul stated that PK completed the will questionnaire with Paul acting as a typist on a subsequent trip to Ottawa. Paul then printed the completed Questionnaire and gave it to PK to review. Paul stated that PK reviewed the document and signed it.

[52] The new will, signed on March 31, 2023, the 2023 Will, listed Sophia as the executor of his estate and Paul as the sole beneficiary.

[53] In their submissions, the Respondents admitted that Paul was in a conflict of interest when he was named as the sole beneficiary in the 2023 Will. However, as Paul testified, his first instinct was to help PK. He wanted to make sure that PK was protected. He put his personal friendship with PK ahead of his professional responsibilities.

Conclusions with Respect to Contravention 2

[54] The Panel has concluded that a conflict of interest existed when Paul was named a beneficiary under the 2023 Will. There is no ambiguity whatsoever. The only defence raised by Paul was that he did the best he could in a difficult and stressful situation. He was attempting to take urgent action to protect PK from IE.

[55] Further, in the Respondents' submissions they conclude that these proceedings are a consequence of their actions for which they are taking responsibility.

[56] There was no evidence proffered that would cloud the clear facts relating to the 2023 Will and Paul naming himself as the sole beneficiary.

[57] Staff has met its onus of proving this contravention without any contrary evidence provided by the Respondents that would alter the Panel's conclusion with respect to Contravention 2.

THIRD ISSUE: CONTRAVENTION 3

[58] The relevant facts with respect to Contravention 3 include the following:

- 1) 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.
- 2) Between August and November 2023, the Dealer Member, as part of its investigation, asked the Respondents numerous times to account for the \$125,000.00 of the \$925,000.00, received from PK, which was not deposited in the account with the Dealer Member.
- 3) In their responses, the Respondents told the Dealer Member that substantially all of the \$125,000.00 had been saved by the Respondents, except for small amounts spent on expenses for PK. These statements were false or misleading and omitted material information. The Respondents failed to disclose to their Dealer Member that they had spent almost all the

\$125,000.00 on personal expenses, and received an additional \$75,000.00 from PK.

- 4) Accordingly, the Respondents made misleading statements to the Dealer Member during its investigation, contrary to Mutual Fund Dealer Rule 2.1.1.

Staff's Submissions

[59] As part of its investigation, Staff led evidence that the Dealer Member interviewed Paul and Sophia on July 19, 2023. During the interview, the Respondents disclosed the receipt of the \$925,000.00 from PK but not the additional \$75,000.00.

[60] On August 3, 2023, Paul deposited the \$75,000.00 cheque received from PK into the Respondents' joint bank account. He informed Sophia of the deposit on the same day.

[61] On August 3, 2023, the Dealer Member inquired of both Respondents about the details of the \$125,000.00 that was not invested with the Dealer Member. Sophia responded stating that the balance was in the bank and was being held to pay for PK's expenses. Further, Sophia indicated that Paul was in the hospital and thus she was answering on his behalf. Paul never made any clarification or alteration to Sophia's response.

[62] At that time, the Respondents admitted they had spent approximately \$100,000.00 of the \$125,000.00 balance on their own personal expenses.

[63] The additional \$75,000.00 was never disclosed to the Dealer Member. Further, at no time did the Respondents disclose to the Dealer Member that they had substantially spent the uninvested \$125,000.00 of the \$925,000.00 cheque on personal expenses.

[64] Mutual Fund Dealer Rule 2.1.1. requires that each Dealer Member and Approved Person deal fairly, honestly and in good faith with clients; observe high standards of ethics and conduct in the transaction of business; and refrain from engaging in any business conduct or practice which is unbecoming or detrimental to the public interest.

[65] It has been held that misleading the Dealer Member is a contravention of Mutual Fund Dealer Rule 2.1.2.⁴ On this basis, by failing to be fully candid with the Dealer Member, the Respondents misled the Dealer Member, contrary to Mutual Fund Dealer Rule 2.1.1.

[66] Staff submitted that the same result follows even if Paul remained silent in the face of Sophia's misleading response to a query from the Dealer Member to both Paul and Sophia.

[67] Both Paul and Sophia were aware that they had not disclosed their receipt of the \$75,000.00 and their expenditure of a portion of PK's money on personal expenses.

Respondent's Submissions

[68] The Respondents submitted that Staff's written submissions did not refer to any statements made by Paul to the Dealer Member as of August 2023. Staff's written submissions only point to statements made by Sophia.

[69] There was no evidence in the record that Paul communicated with the Dealer Member relating to the particulars of the \$125,000.00. To the extent that Sophia may have misled the Dealer Member beginning in August 2023, Staff failed to establish that Paul did so as well.

Conclusions with Respect to Contravention 3

[70] The Panel concludes that Staff has met its onus of proof with respect to Contravention 3. Neither Paul nor Sophia advised the Dealer Member that a second cheque had been received in the amount of \$75,000.00 from PK. Both Respondents are therefore responsible with respect to this omission.

[71] Furthermore, neither of the Respondents disclosed to the Dealer Member that they had used PK's funds for their personal expenses. Even if Paul didn't communicate directly to the Dealer Member with respect to their use of PK's funds, by his silence he was in breach of his requirements to make full disclosure to the Dealer

⁴ *Re Rosicki* MFDA 201826

Member. This was a direct violation of Mutual Fund Dealer Rule 2.1.1.

CONCLUSION

[72] The Panel concludes that Contravention 1 and 3 set out in the Notice of Hearing and Statement of Allegations have been established on a balance of probabilities against both Respondents and that Contravention 2 set out in the Notice of Hearing and Statement of Allegations has been established on a balance of probabilities against Paul. A further hearing will be required to evaluate the appropriate sanctions.

DATED at Ontario this 16th day of April, 2026.

“Deborah Anshell” _____

Deborah Anshell, Chair

“Tim Pryor” _____

Tim Pryor, Industry Representative

“Mary Savona” _____

Mary Savona, Industry Representative

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