Re Encarnacion

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Paul Vincent Ongcapin Encarnacion and Mari Sophia Mendoza Encarnacion

2026 CIRO 26

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: June 17, 2026, in Toronto, Ontario (via videoconference)
Decision: August 21, 2026

Hearing Panel:
Deborah Anschell, Chair, Tim Pryor and Mary Savona

Appearances:
Alan Melamud, Enforcement Counsel
Rafal Szymanski, for Paul Vincent Ongcapin Encarnacion and Mari Sophia Mendoza Encarnacion
Mari Sophia Mendoza Encarnacion (absent)
Paul Vincent Ongcapin Encarnacion (absent)

REASONS FOR DECISION ON SANCTIONS

INTRODUCTION

[1] This was a sanctions 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).
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> **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).
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> **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] In our written decision dated April 16, 2026, the Panel found that Staff had proven Contraventions 1 and 3 against the Respondents and Contravention 2 against Paul. The matter of sanctions was left to this hearing.

[3] Staff provided written Sanctions Submissions dated May 25, 2026, and Reply Written Submissions dated June 10, 2026. The Respondents provided Written Submissions dated June 8, 2026. Following the Hearing, at which both counsel made extensive oral submissions, the Panel reserved its decision.

[4] Having carefully considered the evidence before us and the written and oral submissions made on behalf of both parties, we have determined the following sanctions:

(a) Paul should pay a fine of $300,000, pursuant to MFD Rule 7.4.1.1(c);

(b) Paul should be subject to a six-year suspension, pursuant to MFD Rule 7.4.1.1(d);

(c) Sophia should pay a fine of $100,000, pursuant to MFD Rule 7.4.1.1(c);

(d) Sophia should be subject to a two-year suspension, pursuant to MFD Rule 7.4.1.1(d);

(e) Paul and Sophia should pay an amount sufficient to disgorge $104,131 jointly and severally, being the amount obtained from client PK, pursuant to MFD Rule 7.4.1.1(b);

(f) Paul should pay an amount sufficient to disgorge $15,130 being the amount of commissions obtained and not clawed back by the Dealer Member, pursuant to MFD Rule 7.4.1.1(b); and

(g) Paul and Sophia should pay costs in the amount of $35,000, jointly and severally, pursuant to MFD Rule 7.4.2.

ANALYSIS

Staff's Submissions

[5] Staff submitted that the appropriate sanction to impose is:

(a) Paul and Sophia shall both be permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any Dealer Member of CIRO, pursuant to MFD Rule 7.4.1.1(f);

(b) Paul shall pay a fine in the amount of $500,000, pursuant to MFD Rule 7.4.1.1(c);

(c) Sophia shall pay a fine in the amount of $250,000, pursuant to MFD Rule 7.4.1.1.(c)

(d) Paul and Sophia shall pay an amount sufficient to disgorge $104,131, jointly and severally, being the amount obtained from client PK by contravening the MFD Rules and not returned, pursuant to MFD Rule 7.4.1.1.(b)

(e) Paul shall pay an amount sufficient to disgorge $15,130, being the amount of commissions obtained from his contravention of the MFD Rules and not clawed back by the Dealer Member, pursuant to MFD Rule 7.4.1.1(b); and

(f) Paul and Sophia shall pay costs in the amount of $35,000, jointly and severally, pursuant to MFD Rule 7.4.2.

[6] Staff submitted that there were several factors applicable to this matter. The first was the seriousness and scope of the misconduct. Staff submitted that the Respondents engaged in extremely serious and egregious misconduct. When faced with profound conflicts of interest, the Respondents benefitted themselves. They received $1 million from an elderly client, which they used to fund their own investments, generate commissions, and pay personal expenses.

[7] Also, Paul named himself as the sole beneficiary of client PK's will. This was highly serious misconduct. Further, the Respondents failed to be fully transparent with the Dealer Member during its investigation. This was also serious misconduct.

[8] Staff submitted that the Respondents' misconduct was intentional, willfully blind and reckless. None of the misconduct engaged in by the Respondents was by accident or can be explained by a momentary lapse of judgment. The misconduct required multiple steps over weeks and months that could not have been done by accident.

[9] Staff also argued that Client PK was a vulnerable client. PK was elderly, isolated, and at the time panicking over the discovery of a new will and continuing power of attorney that he did not recognize. There was increased vulnerability because of PK's close personal relationship with the Respondents.

[10] Staff submitted that the Respondents had extensive experience in the market. At the time of the

misconduct, Paul had been registered with the Dealer Member for over 15 years. In addition, he had been a branch manager for more than 12 years. Although Sophia had been registered for a much shorter period of time than Paul, she would still have known and understood her professional obligations.

[11] Staff also submitted that the Respondents caused harm by their misconduct. Paul liquidated PK's accounts, which triggered tax consequences. PK's retirement funds were diverted by the Respondents to pay their own personal expenses and debts.

[12] Furthermore, The Respondents benefitted from their misconduct. The Respondents received the benefit of $1 million of PK's money. Ultimately, the Respondents retained a benefit of $104,131. In addition, Paul may well benefit as the sole beneficiary of PK's will.

[13] In addition, Staff argued that the Respondents' behaviour caused damage to the reputation of the mutual fund industry.

[14] Staff submitted that the most comparable case that can be referenced in this matter is the decision of the Capital Markets Tribunal (**CMT**) in *Re Marrone*[1]. In that case, a mutual fund advisor was found to have contravened the MFDA conflict of interest rules by failing to disclose to his Dealer Member that he had been named the Power of Attorney for Property, an alternate executor, and the sole beneficiary of an elderly and vulnerable client's will. There was a permanent prohibition from registration and a $500,000 fine imposed.

[15] Staff argued in this case that a permanent prohibition for the Respondents would be appropriate to ensure deterrence and to maintain confidence in the mutual fund industry. Further, a fine of $500,000 would be appropriate against Paul. A fine of $250,000 against Sophia would be appropriate. Although she was a less active participant, nevertheless she engaged in serious misconduct, knowingly benefitting from a vulnerable client's money.

Respondents' Submissions

[16] The Respondents in their Sanctions submissions argued that the sanctions sought by Staff – the fines and permanent prohibition in particular are excessive and disproportionate to the unique facts of this case.

[17] The Respondents submitted that specific deterrence has already been achieved for Paul and Sophia. They allowed their concern for their friend to take precedence over their professional obligation. The Respondents' lives have already changed dramatically in the sense that they have been terminated, investigated by their regulator, and participated in a public hearing.

[18] The Respondents argued that sanctions are generally more severe in cases with a prior disciplinary record – particularly where similar contraventions have occurred in the past. However, that is not the issue here. The Respondents have not previously been subject to formal disciplinary proceedings.

[19] Finally, the Respondents argued that they do not have the financial means to pay. They argued that their inability to pay may be a relevant consideration in determining the appropriate fine to impose on them.

Conclusions with Respect to Sanctions

[20] The Panel has thoroughly considered the submissions and authorities submitted by Counsel. With respect to the cases relied upon by the Respondents, we agree with the Staff Submissions that those cases are primarily settlements and therefore are not persuasive. As noted by Staff in their submissions, settlements typically result in less onerous penalties since they are the product of compromise.

[21] The Panel reviewed *Re Kelly*[2]. Again, this matter proceeded to a hearing based upon an Agreed Statement of Facts. This diminishes its relevance as an authority in this matter. In the *Kelly* case, the respondent was named as a beneficiary on a client's investment accounts. He also accepted an appointment as a power of attorney. In terms of additional factors, the respondent admitted his misconduct and cooperated with MFDA's investigation. The panel noted that by admitting his misconduct, the respondent clearly demonstrated that he understood the significance of his actions. Further, there was no harm suffered by the

[1] 2022 CMT 13

[2] 2024 CIRO 9

investor.

[22] The panel concluded that a six-month prohibition was appropriate. The respondent was fined $70,000.

[23] The Panel was mindful of the distinguishing features in *Re Kelly*[3], namely that the respondent cooperated with the investigation, and did not harm his client in anyway.

[24] The Panel also considered *Re Reid*[4]. In that case, there was a previous finding that the respondent had accepted a power of attorney for property from her client. Further, she accepted an appointment to act as executor and trustee of her client's estate. She provided false and misleading responses to questions on compliance information forms. She borrowed monies from her client that gave rise to a conflict of interest. Further, she used pre-signed account forms in respect of seven clients. The panel levied a permanent prohibition on the respondent's authority to conduct securities related business in any capacity, levied a fine in the amount of $125,000; and ordered costs in the amount of $20,000.

[25] The Panel also considered the recent decision of the CMT in *Re Marrone*[5]. In the *Marrone* case, the respondent had been named Power of Attorney for Property, an alternate executor and the sole beneficiary of a client's will. The CMT ordered a permanent prohibition from registration and a $500,000 fine. The client in the *Marrone* case, as in the present case was found to be elderly, a vulnerable individual with a close personal relationship with the respondent.

[26] The Panel agrees with Staff's submissions, that there are significant parallels with the *Marrone* case and the present case. At the same time, *Marrone* seems to be an outlier in terms of an appropriate sanction, in the sense that the sanction is the most severe of any of the cases considered by the Panel.

[27] In deciding upon the appropriate sanction, this Panel considered as a primary factor the seriousness and scope of the misconduct. In this sense, the Panel concluded that the conduct in the present case was extremely serious. As noted by Staff counsel, the Respondents chose to benefit themselves. They received $1 million from an elderly client, and they used those funds in part to fund their own investments and pay personal expenses.

[28] Paul also named himself as the sole beneficiary of his client's will. This is also serious misconduct. As noted in *Re*[6] *Reid,* that factor alone is highly serious misconduct.

[29] We also take note of the fact that neither of the Respondents cooperated fully with the investigation. This itself is a factor to take into account when assessing the appropriate penalty.

[30] The Panel considered the intent of the Respondents. The misconduct was elaborate and took place over a considerable period of time. It was beyond a single act, or a brief period of lapse of judgment.

[31] The Panel considered Client PK to be a vulnerable client. He was a close personal friend of the Respondents, akin to family, and this heightened his vulnerability.

[32] The Panel took note of the harm caused by the Respondents to PK. They misappropriated funds relied upon by PK to fund his retirement. Both Respondents used PK's funds to pay for their personal expenses and debts. They clearly benefitted from their misdeeds.

[33] The Panel did not find mitigating factors to diminish any penalty or suspension. The Respondents did not admit the allegations against them in terms of an Agreed Statement of Facts and did not show remorse at the original liability hearing.

[34] After considering all of the facts, written and oral submissions of counsel, the Panel has determined that the following are appropriate sanctions:

(a) Paul should pay a fine of $300,000;

(b) Paul should be subject to a six-year suspension;

[3] *Kelly* supra note 2
[4] 2024 CIRO 30
[5] *Ma*rrone supra note 1
[6] Reid supra note 4

(c) Sophia should pay a fine of $100,000; and

(d) Sophia should be subject to a two-year suspension.

[35] With respect to disgorgement and costs, the Respondents' counsel did not address those issues in his written submissions and further acknowledged in his oral submissions that he wasn't challenging disgorgement. Thus, we accept Staff's submissions with respect to these issues.

DATED at Ontario this 21st day of August, 2026.

"Deborah Anschell"

Deborah Anschell, Chair

"Tim Pryor"

Tim Pryor, Industry Representative

"Mary Savona"

Mary Savona, Industry Representative