FP Canada Standards Council™

FP Canada Standards Council™
and
Richard Jones

STATEMENT OF ALLEGATIONS

THE FORMER CFP® PROFESSIONAL

1. Richard Jones ("Mr. Jones" or the "Respondent") was certified by the Financial Planning Standards Council®, now FP Canada™, as a CERTIFIED FINANCIAL PLANNER® professional between August 1, 2010 and March 31, 2022, with a gap in certification from April 1, 2013 to March 31, 2014. Mr. Jones has not renewed his certification since it lapsed on April 1, 2022 and is not currently certified by FP Canada™.
2. Mr. Jones' current status is "Under Investigation" [1] on FP Canada's Find a Financial Planner tool. Mr. Jones does not have a prior discipline history with the FP Canada Standards Council™ (the "Standards Council").
3. Since 1987, Mr. Jones has been providing insurance and financial planning services, through his own companies. He currently operates his financial planning business through The Richard Jones Financial Group LLP and resides in Vancouver, British Columbia.

HISTORY OF THE PROCEEDINGS

4. This matter came to the attention of the Standards Council in November 2019, when various news articles were published relating to a civil proceeding brought by Mr. Jones' former client, J.G., against Mr. Jones.
5. In the civil proceeding, J.G. alleged that he suffered significant financial harm as a result of, amongst other things, Mr. Jones:

[1] As the investigation relates to conduct or issues that are substantially in the public domain and there are credible allegations which engage the enforcement jurisdiction of the FP Canada Standards Council, the Standards Council sought and obtained authorization from the FP Canada Board of Directors (in accordance with the "Policy on the Disclosure of Investigations and Interim Suspensions" at the time) to publicize the investigation involving Mr. Jones.

a. failing to complete a financial plan and failing to identify his needs and objectives regarding insurance and investments;
b. recommending and selling high-risk, unsuitable investments and insurance policies;
c. failing to disclose conflicts of interest and compensation arrangements; and
d. acting without his instructions, and/or engaging in unethical conduct.

6. The Standards Council instructed an investigation into Mr. Jones' conduct on November 27, 2019.
7. On February 13, 2023, the Conduct Review Panel ("CRP") convened and referred the allegations set out herein to a Hearing Panel.

FACTUAL BACKGROUND

8. Mr. Jones acted as J.G.'s financial planner from July 2013 until April 2019. During that period, Mr. Jones was, inadvertently, not certified by FP Canada between April 1, 2013 and March 31, 2014.

Suitability

9. Between July 2013 and August 2016, Mr. Jones made a number of insurance and investment recommendations to J.G,. as follows:

   While Not Certified:

   a. July 2013, a $10,250,000 Universal Life Policy
   b. July 2013, a Segregated Fund contract
   c. August 2013, a $10,000,000 Universal Life Policy
   d. September 2013, a $1,000,000 Critical Illness Policy
   e. March 2014, a Segregated Fund Contract (RSP)

   While Certified:

   f. August 2014, a $1,000,000 Equitable Participating Life Whole Life Policy
   g. June 2015, a Segregated Fund Contract, which was funded by a leveraged loan
   h. August 2016, a $9,499,000 Universal Life Policy

10. Once Mr. Jones became recertified on April 1, 2014, he was required to ensure that the existing investments and insurance products (items a-e above) held by his client remained suitable and that all investment and insurance product recommendations and implementations he made on a going-forward basis (items f-h above) were also suitable given the particular needs, goals, priorities and timelines of his client.
11. Mr. Jones failed to identify J.G.'s goals, needs and priorities. As a result, Mr. Jones maintained unsuitable investments and insurance policies, and recommended and implemented unsuitable investments and insurance policies, on behalf of J.G..

<u>Disclosure</u>

12. Mr. Jones did not disclose to J.G., in writing, the fact that he was only licensed to offer insurance-related products and therefore there was a limited scope of services and products that he could provide.
13. Mr. Jones also failed to provide J.G., in writing, an accurate and understandable description of the compensation arrangements being offered.

<u>Authorization</u>

14. Mr. Jones acted without his client's, J.G., authorization and/or he signed documents without J.G.'s authorization in seventeen (17) instances. In these cases, Mr. Jones did not have J.G.'s authorization or consent with respect to all elements of the trades.

<u>Unethical Practices</u>

15. Finally, Mr. Jones engaged in the following unethical practices:
    a. He had J.G. sign documents in blank or with information missing in nine (9) instances);
    b. He modified one (1) document after J.G. signed it, without authorization;
    c. He had J.G. sign incomplete documents/illustrations on two (2) occasions;
    d. He falsely attested to witnessing J.G.'s signature on nine (9) occasions;
    e. He recommended and facilitated transfers of investments from one product to another, generating commissions for himself and, at points, triggering unnecessary charges in at least twelve (12) instances; and
    f. In an email dated November 12, 2014, he mislead J.G. about the amount of capital he would have available in retirement.

NOTICE

16. Further to the direction of the CRP, and in accordance with Article 5.1 of the *FP Canada Standards Council Disciplinary Rules and Procedures*, I hereby give notice of the Standards Council's request that a hearing date be set with respect to the matter identified as: *FP Canada Standards Council™ and Richard Jones*.
17. The Standards Council requests that the hearing be held in writing.

APPLICABLE STANDARDS

The underlying conduct occurred between July 2013 and April 2019; however, as Mr. Jones was not certified between April 1, 2013 and March 31, 2014, his conduct is governed by the various *Standards of Professional Responsibility* in effect between March 2014 and December 2019. The applicable Principles and Rules of the various *Standards of Professional Responsibility* are attached at **Appendix "A"**.

ALLEGATIONS

The Standards Council makes the following allegations against the Respondent:

1. Between April 2014 and August 2017, the Respondent failed to exercise reasonable and prudent professional judgment in providing financial planning to his client, J.G., and failed to adhere to the *FP Canada Standards Council Financial Practice Standards* (the "Practice Standards"), including by failing to identify and gather information relating to his client's goals, needs and priorities. This conduct was contrary to Principles 1, 2, 3, 4 and 8, Rules 2, 15 and 19 and Practice Standards 3, 4 and 6[2] of the various *Standards of Professional Responsibility* in force between March 2014 and December 2018;
2. Between April 2014 and August 2017, the Respondent failed to ensure that the existing investments and insurance products held by his client, J.G., remained prudent and appropriate and he failed to recommend and implement investments and insurance products to J.G. which were prudent and appropriate. This conduct was contrary to Principles 1, 2, 3, 4 and 8, Rules 2, 15, 16, 17 and 19 and Practice Standards 7 and 9[3] of the various *Standards of Professional Responsibility* in force between March 2014 and December 2018;
3. Between April 2014 and April 2019, the Respondent failed to comply with his disclosure obligations to his client, J.G., relating to:
    a. the limited products available to him and the scope of services/products he could provide; and
    b. compensation arrangements.

    This conduct was contrary to Principles 1, 2, 5, 7 and 8, Rules 2 and 8 [Rule 8 became Rule 7 between January 2019 to December 2019], of the various *Standards of Professional Responsibility* in force between March 2014 and December 2019;
4. Between July 2014 and January 2017, the Respondent acted without his client, J.G.'s, authorization and/or signed documents without J.G.'s authorization. This conduct was contrary to Principles 1, 2, 5, 7 and 8 and Rule 2 of the various *Standards of Professional Responsibility* in force between March 2014 and May 2017;
5. Between June 2014 and June 2018, the Respondent engaged in unethical practices relating to his client, J.G., including:
    a. having his client sign documents in blank or with information missing;
    b. modifying a document after his client had signed the document;

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[2] For the *Standards of Professional Responsibility* in force between March 2014 and October 2014, the relevant Practice Standards were PS. 200A, 200B, and 400A

[3] For the *Standards of Professional Responsibility* in force between March 2014 and October 2014, the relevant Practice Standards were PS. 200A, 200B, 400A, 400B and 500A

c. having his client sign incomplete documents/illustrations;
d. falsely attesting to witnessing his client's signature;
e. transferring funds from one product to other product which generated commissions and, in some cases, triggered unnecessary charges; and
f. misleading his client about the amount of capital he would have available in retirement,

This conduct was contrary to Principles 1, 2, 5, 7 and 8 and Rules 1 and 2 of the various *Standards of Professional Responsibility* in force between March 2014 and December 2018.

Dated: March 23, 2023

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Tamara Center
Director, Professional Conduct and Enforcement
Counsel to FP Canada Standards Council™

Appendix A

Applicable Principles and Rules

Applicable Principles and Rules of the *Standards of Professional Responsibility for CFP®*
Principle 1: Client First **A CFP professional shall always place the client's interests first.** Placing the client's interests first requires the CFP professional to act honestly and to place the client's interests ahead of his own and ahead of all other interests.
Principle 2: Integrity **A CFP professional shall always act with integrity.** Integrity means rigorous adherence to the moral rules and duties imposed by honesty and justice. Integrity requires the CFP professional to observe both the letter and the spirit of the Code.
Principle 3: Objectivity **A CFP professional shall be objective when providing advice and/or services to clients.** Objectivity requires intellectual honesty, impartiality and the exercise of sound judgment, regardless of the services delivered or the capacity in which a CFP professional functions
Principle 4: Competence **A CFP professional shall develop and maintain the abilities, skills and knowledge necessary to competently provide advice and/or services to clients.** Competence requires attaining and maintaining a high level of knowledge and skill, and applying that knowledge effectively in providing advice and/or services to clients.
Principle 5: Fairness **A CFP professional shall be fair and open in all professional relationships.** Fairness requires providing clients with what they should reasonably expect from a professional relationship, and includes honesty and disclosure of all relevant facts including conflicts of interest.
Principle 7: Diligence **A CFP professional shall act diligently when providing advice and/or services to clients.** Diligence is the degree of care and prudence expected from CFP professionals in the handling of their clients' affairs. Diligence requires fulfilling professional commitments in a timely and thorough manner and taking due care in guiding, informing, planning, supervising, and delivering financial advice and/or services to clients.

Principle 8: Professionalism	
Rule 1	A CFP professional shall not engage in or associate with conduct involving dishonesty, fraud, deceit or misrepresentation, or knowingly make a false or misleading statement to clients or any other parties
Rule 2	A CFP professional shall not engage in any conduct that reflects adversely on his or her integrity or fitness as a CFP professional, the CFP marks or the profession.
Rule 8	When the services include financial planning or material elements of the financial planning process, a CFP professional shall disclose the following information in writing to the client: a) An accurate and understandable description of the compensation arrangements being offered. This description must include information related to costs to the client and the form and source of compensation to the CFP professional and/or the CFP professional's employer, including any contingency or referral fees. Further, the description must include the terms under which the CFP professional and/or the CFP professional's employer may receive any source of compensation and, if so, what the sources of these payments are and what they are based on; b) A general summary of likely conflicts of interest between the client and the CFP professional, the CFP professional's employer, or any affiliates or third parties, including but not limited to, information about any familial, contractual or agency relationship of the CFP professional, or the CFP professional's employer that has a potential to materially affect the relationship with the client; c) Any information about the CFP professional or the CFP professional's employer that has a potential to materially affect the relationship with the client; d) Any information the client might reasonably want to know in establishing the scope and nature of the relationship, including but not limited to, information about the CFP professional's areas of expertise; e) Contact information for the CFP professional and, if applicable, the CFP professional's employer.
Rule 15	A CFP professional shall exercise reasonable and prudent professional judgment in providing financial planning.

Rule 16	A CFP professional shall make only those recommendations that are both prudent and appropriate for the client.
Rule 17	A CFP professional shall implement only those strategies that are both prudent and appropriate for the client, unless the client provides specific written instructions to the contrary.
Rule 19	A CFP professional shall offer advice only in those areas in which he is competent. In areas where the CFP professional is not sufficiently competent, the CFP professional shall seek the counsel of qualified individuals and/or refer clients to such parties.

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	e) Contact information for the CFP professional and, if applicable, the CFP professional's employer.
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Applicable Principles and Rules of the *Standards of Professional Responsibility for CFP® Professionals and FPSC Level 1® Certificants in Financial Planning*, June 2017 (In force June 2017 to December 2018)
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Rule 17	A CFP professional shall implement only those strategies that are both prudent and appropriate for the client which strategies the CFP professional must reasonably believe will not materially and negatively impact the client's best interests.
Rule 19	A CFP professional shall offer advice only in those areas in which s/he is competent. In areas where the CFP professional is not sufficiently competent, the CFP professional shall seek the counsel of qualified individuals and/or refer clients to such parties.

<table>
<tr><th colspan="2">Applicable Principles and Rules of the Standards of Professional Responsibility for CFP® Professionals and FPSC Level 1® Certificants in Financial Planning, January 1, 2019 (In force January 2019 to March 2019)</th></tr>
<tr><td colspan="2">Principle 1: Duty of Loyalty to the Client
The Duty of Loyalty encompasses:
The duty to act in the client’s interest by placing the client’s interests first. Placing the client’s interests first requires the Certificant place the client’s interests ahead of their own and all other interests;
The obligation to disclose conflicts of interest and to mitigate conflicts in the client’s favour; and
The duty to act with the care, skill and diligence of a prudent professional.</td></tr>
<tr><td colspan="2">Principle 2: Integrity
A Certificant shall always act with integrity.
Integrity means rigorous adherence to the moral rules and duties imposed by honesty and justice. Integrity requires the Certificant to observe both the letter and the spirit of the Code.</td></tr>
<tr><td colspan="2">Principle 5: Fairness
A Certificant shall be fair and open in all professional relationships.
Fairness requires providing clients with what they should reasonably expect from a professional relationship, and includes honesty and disclosure of all relevant facts, including conflicts of interest.</td></tr>
<tr><td colspan="2">Principle 7: Diligence
A Certificant shall act diligently when providing advice and/or services to clients.
Diligence is the degree of care and prudence expected from Certificants in the handling of their clients’ affairs. Diligence requires fulfilling professional commitments in a timely and thorough manner and taking due care in guiding, informing, planning, supervising, and delivering financial advice and/or services to clients</td></tr>
<tr><td colspan="2">Principle 8: Professionalism
A Certificant shall act in a manner reflecting positively upon the profession.
Professionalism refers to conduct that inspires confidence and respect from clients and the community, and embodies all of the other principles within the Code.</td></tr>
<tr><td><u>Rule 2</u></td><td>A Certificant shall not engage in any conduct that reflects adversely on his or her integrity or fitness as a Certificant, the certification marks or the profession.</td></tr>
<tr><td><u>Rule 7</u></td><td>A Certificant shall disclose the following information to the client in writing, with the exception of subsection (b) below. The information under subsection (b) below may be disclosure orally:<ol type="a">
An accurate and understandable description of the known costs of the services and products, to the client;
When the services include financial planning or elements of the financial planning process, an accurate and understandable description of how the</td></tr>
</table>

	Certificant, the Certificant's firm are compensated for providing the products and services; c) Any contingency or referral fees received by the Certificant or the Certificant's firm, in relation to services provided to the client; d) A general summary of potential conflicts of interest between the client and the Certificant, between the Certificant's clients in the case of a joint engagement, the Certificant's employer, or any affiliates or third parties, including, but not limited to, information about any familial, contractual or agency relationship of the Certificant or the Certificant's employer that has a potential to materially affect the relationship with the client; e) The specific financial planning services the Certificant will perform for the client; f) Any information about the Certificant or the Certificant's employer that could reasonably be expected to materially affect the client relationship/engagement; g) Any information that the client might reasonably want to know in establishing the scope and nature of the relationship, including, but not limited to, information about the Certificant's areas of expertise; and h) Contact information for the Certificant and, if applicable, the Certificant's employer.

Applicable Principles and Rules of the *Standards of Professional Responsibility*, April 1, 2019 (In force April 2019 to December 2019)
Principle 1: Duty of Loyalty to the Client The Duty of Loyalty encompasses: • The duty to act in the client's interest by placing the client's interests first. Placing the client's interests first requires the Certificant place the client's interests ahead of their own and all other interests; • The obligation to disclose conflicts of interest and to mitigate conflicts in the client's favour; and • The duty to act with the care, skill and diligence of a prudent professional.
Principle 2: Integrity A Certificant shall always act with integrity. Integrity means rigorous adherence to the moral rules and duties imposed by honesty and justice. Integrity requires the Certificant to observe both the letter and the spirit of the Code of Ethics.
Principle 5: Fairness A Certificant shall be fair and open in all professional relationships.

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b) When the services include financial planning or elements of the financial planning process, an accurate and understandable description of how the Certificant, the Certificant's firm are compensated for providing the products and services;
c) Any contingency or referral fees received by the Certificant or the Certificant’s firm, in relation to services provided to the client;
d) A general summary of potential conflicts of interest between the client and the Certificant, between the Certificant’s clients in the case of a joint engagement, the Certificant’s employer, or any affiliates or third parties, including, but not limited to, information about any familial, contractual or agency relationship of the Certificant or the Certificant’s employer that has a potential to materially affect the relationship with the client;
e) The specific financial planning services the Certificant will perform for the client;
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h) Contact information for the Certificant and, if applicable, the Certificant’s employer.</td></tr>
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Applicable Practice Standards

March 2014 to October 2014	
PS. 200A	**Identify the Client's Goals, Needs and Priorities** The CFP professional will discuss the client's personal and financial goals, needs and priorities with the client before making and/or implementing any recommendations.
PS. 200B	**Obtain the Client's Information** The CFP professional will gather sufficient quantitative and qualitative information relevant to the engagement before making and/or implementing any recommendations.
PS. 400A	**Identify and Evaluate the Appropriate Financial Planning Strategies** The CFP professional will identify and evaluate possible financial planning strategies to achieve the client's stated goals, needs and priorities.
PS. 400B	**Develop the Financial Planning Recommendations** The CFP professional will develop recommendations to achieve the client's stated goals, needs and priorities.
PS. 500A	**Discuss Implementation Action, Responsibilities and Time Frames** The CFP professional will engage the client in a discussion that leads to an agreement regarding implementation actions, responsibilities and time frames.

November 2014 to May 2015	
PS. 3	**Identify the Client's Goals, Needs and Priorities** Discuss the client's personal goals, needs and priorities before identifying possible strategies or making recommendations.
PS. 4	**Gather the Client's Information** Gather sufficient quantitative and qualitative information relative to the engagement before identifying possible strategies or making recommendations.
PS. 6	**Identify and Evaluate Appropriate Financial Planning Strategies** Identify and assess the possible financial planning strategies to achieve the client's personal goals, needs and priorities.
PS. 7	**Develop the Financial Planning Recommendations** Develop and prioritize recommendations to help meet the client's personal goals, needs and priorities and aim to optimize his financial position.
PS. 9	**Discuss Implementation Action, Responsibilities and Time Frames** Gain the client's agreement regarding implementation actions, responsibilities and time frames. Stress the importance of a review and ongoing monitoring of his

	situation relative the client's personal goals, needs and priorities periodically and as needed based on material changes in personal or external circumstances.

June 2015 to December 2018	
PS. 3	**Identify the Client's Goals, Needs and Priorities** Discuss the client's personal goals, needs and priorities before identifying possible strategies or making recommendations.
PS. 4	**Gather the Client's Information** Gather sufficient quantitative and qualitative information relevant to the engagement before making and/or implementing any recommendations.
PS. 6	**Identify and Evaluate Appropriate Financial Planning Strategies** Identify and assess the possible financial planning strategies to achieve the client's personal goals, needs and priorities.
PS. 7	**Develop the Financial Planning Recommendations** Develop and prioritize recommendations to help meet the client's personal goals, needs and priorities and aim to optimize his financial position.
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