

CONDUCT REVIEW PANEL GUIDANCE AND ADVICE 2025

CASE 7 – 2025

Applicable Standards:

FP Canada Standards of Professional Responsibility: Principles 1, 3, 7 and 8 and Rules 19 and 22.

Background:

The FP Canada Standards Council™ (“Standards Council”) commenced an investigation into the conduct of a CERTIFIED FINANCIAL PLANNER® professional (the “Certificant”) following receipt of a positive declaration that they were the subject of a complaint from a client to their employer in respect of a fraudulent redemption processed by the Certificant. The Certificant also disclosed that another financial services regulatory body reviewed this same conduct.

The Standards Council’s investigation revealed that the Certificant may have failed to meet their professional obligations by processing a redemption request without first verbally confirming the veracity of the request with their client, as required by the firm’s policies. Notably, the redemption request directed the funds to be deposited into a new bank account which was not previously on file. The Certificant also did not confirm the new banking information verbally with their client. Finally, this redemption request came just two days after the same client requested a change to their email address and the Certificant did not confirm this change verbally either. The Certificant also failed to ensure that their assistant, who was copied on the fraudulent email, confirmed the email address, redemption request and the banking changes verbally with the client and thereby failed to provide reasonable and prudent professional supervision of the assistant.

Conduct Review Panel’s Decision:

In March 2025, the Conduct Review Panel (the “Panel”) directed that the matter be closed with a Letter of Guidance and Advice. The Panel considered escalating the matter to a

hearing; however, they decided to proceed with a Letter of Guidance and Advice due to mitigating factors and the specific circumstances of the matter, including the following:

- The failure to confirm instructions verbally did not appear to be a pattern of conduct for this Certificant, but appeared to be attributable to the unique relationship between this Certificant and this client (who the Certificant worked with for many years and bought their business from upon the client's retirement);
- The Certificant did not benefit financially from this event and there was no evidence to suggest that the Certificant's conduct was in any way motivated by personal gain;
- The client was made whole, did not blame the Certificant for the fraudulent transaction and shared some of the blame themselves;
- The client continued to have trust in the Certificant as a CFP professional and was only motivated to complain in order to have their funds recovered;
- The Certificant was remorseful and apologetic in respect of their conduct and demonstrated insight;
- The Certificant took steps to implement measures to avoid a reoccurrence of this nature; and
- The fraud in this case was difficult to detect, including that the redemption request aligned with what the Certificant knew the client's intentions to be and the writing style of the email reflected the client's email writing style.

To support the Certificant in their future conduct, the Panel reminded the CFP professional that the relevant Principles and Rules applicable to their conduct are Principles 1, 3, 7 and 8 and Rules 19 and 22 which provide in relevant part:

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 3: Objectivity

A Certificant 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 Certificant functions.

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.

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 of Ethics.

Rule 19: Professional Oversight and Supervision of Others

(19) A Certificant shall provide reasonable and prudent professional supervision of any subordinate or third party to whom the Certificant assigns any work or who acts under the Certificant's direction. A Certificant shall provide reasonable and prudent professional supervision of any individual whose work is subject to review or oversight by the Certificant.

Rule 22: Financial Planning Services

A Certificant shall always exercise reasonable and prudent professional judgment.