



REPORT ON DISCIPLINARY ACTION

Details of Hearing: Karas, David H. (Barrie, ON)

In May 2017, a Financial Planning Standards Council (FPSC®) Discipline Hearing Panel considered the matter identified as the *Financial Planning Standards Council and David H. Karas*.

Mr. Karas was certified by FPSC as a CERTIFIED FINANCIAL PLANNER® professional from 1996 to 2015. Mr. Karas' certification with FPSC lapsed, due to voluntary non-renewal, in April 2015.

In June 2015, Mr. Karas' mutual fund license was permanently suspended by a Mutual Fund Dealers Association of Canada ("MFDA") Hearing Panel. FPSC alleged that the permanent prohibition on Mr. Karas' authority to conduct securities-related business in any capacity, triggered a Presumptive Bar to his continued certification with FPSC under the *FPSC Fitness Standards*. Mr. Karas submitted a Request for Reconsideration and challenged FPSC's ability to rely on the MFDA Hearing Panel's decision and findings.

By way of unanimous decision dated May 31, 2017, the FPSC Hearing Panel ordered a permanent ban on Mr. Karas seeking renewal or reinstatement of CFP certification.

Relevant Background

Mr. Karas operated an investment business in Barrie, Ontario, known as Money Concepts (Barrie) from approximately 1986 to approximately 2008.

The MFDA Hearing Panel found that:

- Between 2002 and 2008, Mr. Karas misrepresented, failed to fully and adequately explain, or omitted to explain the risks, benefits, features and costs of leveraged investment recommendations that he made to at least 18 clients, thereby failing to ensure that the leveraged investment recommendations were suitable for the clients and in keeping with their investment objectives.
- Between 2002 and 2008, Mr. Karas failed to ensure that his leveraged investment recommendations were suitable for at least 18 clients and in keeping with their investment objectives, having regard to the clients' information and financial circumstances, including but not limited to the clients' ability to afford the costs associated with the investment loans and withstand investment losses.

FPSC Hearing Panel Decision

This matter was considered by the FPSC Hearing Panel on May 2, 2017. FPSC made written submissions to the Hearing Panel. Despite having the opportunity to do so, Mr. Karas declined to file material with the Hearing Panel.

By way of unanimous decision dated May 31, 2017, the FPSC Hearing Panel found that:

- The revocation of Mr. Karas' mutual fund licence constituted a Presumptive Bar to his certification with FPSC under the *FPSC Fitness Standards*; and
- Mr. Karas failed to provide sufficient evidence to rebut the Presumptive Bar.

FPSC sought an Order directing that Mr. Karas be permanently banned from seeking renewal or reinstatement of certification with FPSC.

The FPSC Hearing Panel found that:

"a permanent ban on Mr. Karas seeking renewal or reinstatement of certification was appropriate in the circumstances of this case."

Noting:

"a remedial outcome (such as a letter of admonishment or remedial action plan) would not be adequate in these circumstances. Since Mr. Karas does not currently hold a CFP designation a ban on seeking renewal is the most fitting penalty."

The Hearing Panel issued the following Order:

- a. Effective as of the date of this Order, Mr. Karas is permanently banned from seeking renewal or reinstatement of certification with FPSC; and
- b. The Hearing Panel will reconvene in writing or by teleconference to consider the issue of costs and will render a separate decision on costs.

The FPSC Hearing Panel is scheduled to reconvene by teleconference on July 10, 2017 to consider cost submissions.

FPSC Hearing Panel Decision on Costs

By way of Order dated July 25, 2017, the Hearing Panel ordered Mr. Karas to pay costs in the amount of \$5,000 to FPSC, by August 24, 2017 (within 30 days of the date of the Order).

In awarding Costs to FPSC, the Hearing Panel noted:

- Mr. Karas prolonged the hearing process by failing to participate in the Hearing and by failing to provide any written submissions. Mr. Karas contributed to increased costs; and
- FPSC's request for costs and the amount requested was reasonable and appropriate in the circumstances of this case.

Mr. Karas was afforded an opportunity to provide submissions on costs, but declined to file material with the Hearing Panel.

Update: August 29, 2017

Mr. Karas Costs Ordered by the Discipline Hearing Panel are outstanding.