

***FP Canada Standards Council™***  
***and***  
***Scott Nichols, QAFP™***

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## **STATEMENT OF ALLEGATIONS**

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### **THE QAFP™ PROFESSIONAL**

1. Scott Nichols (“Mr. Nichols” or the “Respondent”) was certified by the Financial Planning Standards Council®, now FP Canada™, as an FPSC Level 1® Certificant in Financial Planning in February 2013 and was granted QAFP™ Certification in January 2020. Mr. Nichols has consistently renewed his certification and, as of the date of this Statement of Allegations, is a QAFP professional in good standing. Mr. Nichols does not have a prior discipline history with the FP Canada.
2. In 2012, Mr. Nichols opened Nichols Wealth Management, now Harvest Wealth Management, where he remains the President and Owner. From June 14, 2012 to May 5, 2014 and from December 18, 2015 to May 8, 2017, Mr. Nichols was designated as a Branch Manager with Quadrus Investment Services Ltd. (“Quadrus”). Mr. Nichols has been registered as a dealing representative with Quadrus since January 2, 2004.
3. As of the date of this Statement of Allegations, Mr. Nichols is under close supervision as a result of the Order dated September 30, 2021 issued against him by the Mutual Fund Dealers Association of Canada (“MFDA”), referred to below. The period of close supervision is anticipated to conclude in February 2023.
4. Mr. Nichols resides in Kentville, Nova Scotia.

### **HISTORY OF THE PROCEEDINGS**

5. This matter came to the attention of the FP Canada Standards Council™ (the “Standards Council”) when Mr. Nichols reported, on his 2018/2019 FPSC Level 1® Certification Renewal Application form, that his conduct was under review by his employer, Quadrus, as well as by the MFDA.

6. On December 31, 2020, the MFDA issued a Notice of Hearing<sup>1</sup> against Mr. Nichols and on September 28, 2021, Mr. Nichols entered into a Settlement Agreement with the MFDA<sup>2</sup>, which was accepted by the MFDA Hearing Panel by Order dated September 30, 2021<sup>3</sup>. The MFDA Hearing Panel subsequently released its Reasons for Decision dated May 12, 2022<sup>4</sup>.
7. In the Settlement Agreement, Mr. Nichols admitted that, in contravention of several MFDA Rules he: a) opened four (4) new accounts and made investment recommendations for clients who he had not met; b) signed and submitted account forms to process switches and redemptions based on instructions received from KK, without confirming the trading instructions directly with the client; and c) signed and submitted a client's Know-Your-Client ("KYC") update form when he had not communicated with the client to obtain or confirm her instructions.
8. The MFDA Hearing Panel suspended Mr. Nichols for four (4) months from conducting any securities-related business in any capacity while in the employ of or associated with any MFDA Member. In February 2022, following the four (4) month suspension, Mr. Nichols re-registered and was placed on close supervision for twelve (12) additional months. Mr. Nichols was also ordered to pay a fine of \$30,000 and costs of \$5,000.
9. The Standards Council initiated an investigation into Mr. Nichols' conduct on August 11, 2021. The investigation revealed, amongst other things, the following:
  - a. Quadrus' and the MFDA's investigations into Mr. Nichols' conduct arose out of an investigation into the conduct of KK, Mr. Nichols' childhood friend and co-worker, after his death by suicide in April 2018.
  - b. In 2013, KK joined Mr. Nichols at Quadrus; however, he was not able to immediately transfer his registration as a dealing representative with his prior employer, to become an Approved Person at Quadrus. From September 2013 until April 23, 2014, when KK became an Approved Person of Quadrus, KK was as a Marketing Associate, which was an unregistered, support role to Mr. Nichols.

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<sup>1</sup>[Notice of Hearing 202003 | MFDA](#)

<sup>2</sup>[SA 202003 | MFDA](#)

<sup>3</sup>[Order 2 202003 | MFDA](#)

<sup>4</sup>[Reasons 202003 | MFDA](#)

- c. In or about October 30, 2013, Mr. Nichols signed as witness on a Limited Trade Authorization (“LTA”) form for his client, KK’s wife, when he did not witness her execute the LTA. The LTA was then used by KK to process unauthorized switches.
  - d. Due to the unauthorized switches, Quadrus requested that Mr. Nichols update KK’s wife’s risk tolerance on her KYC to align with her investments. Rather than obtain the information directly from KK’s wife, who was his client, Mr. Nichols asked KK to obtain the updated KYC documentation. Mr. Nichols later learned that KK’s wife had not signed the updated KYC.
  - e. In addition, in or about mid September 2014, KK advised Mr. Nichols that his wife wanted to make a redemption from her account. Rather than discuss the redemption with his client and obtain the signatures himself (or rely on the LTA), Mr. Nichols instructed KK to obtain his wife’s signature on the trade tickets. Upon receipt of the signed trade tickets, Mr. Nichols proceeded to sign them and process two redemptions. Mr. Nichols later learned that KK’s wife had not signed the trade tickets and had not authorized the redemptions.
10. On May 3, 2022, the Conduct Review Panel (“CRP”) convened and referred the allegations set out herein to a Hearing Panel.

## NOTICE

11. Further to the direction of the CRP, and in accordance with Article 5.1 of the *FP Canada Standards Council Disciplinary Rules and Procedures* (DRP), 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 Scott Nichols, QAFP™*.
12. The Standards Council requests that the hearing be held in writing.

## APPLICABLE STANDARDS

13. The conduct subject to the allegations occurred between September 2013 and September 2014, and Mr. Nichols was found to have contravened MFDA Rules in September 2021. Accordingly, Mr. Nichols’ conduct is governed by the *Standards of Professional Responsibility* in force between November 2011 and September 2014 and between July 2021 and April 2022. The relevant Principles and Rules are attached at **Appendix “A”**.

## ALLEGATIONS

The Standards Council makes the following allegations against the Respondent:

1. Between September 2013 and April 2014, the Respondent failed to meet with four (4) clients for whom he was the advisor of record, and relied on KK to service and make recommendations to the clients, and thereby failed to act in the clients' best interests, failed to act with fairness and diligence, failed to act with integrity, objectivity and failed to exercise reasonable professional judgement, contrary to Principles 1, 2, 3, 5, 7 and 8 and Rule 2, 15 of the *Standards of Professional Responsibility* in force between November 2011 and September 2014.
2. Between April 2014 and September 2014, the Respondent signed and submitted account forms to process switches and redemptions and updated Know-Your-Client documentation for his client, KK's wife's, investment accounts, without confirming her updated information or obtaining her direct authorization and instructions, and thereby failed to act in the client's best interests, failed to act with fairness and diligence, failed to act with integrity, objectivity and exercise reasonable professional judgement contrary to Principles 1, 2, 5, 7 and 8 and Rule 2 of the *Standards of Professional Responsibility* in force between November 2011 and September 2014.
3. On or about October 30, 2013, the Respondent signed as witness on a Limited Trade Authorization form for his client, KK's wife, when he did not, in fact, witness her sign the document, and thereby engaged in conduct involving dishonesty and the failure to act with integrity, contrary to Principle 2 and Rule 1 of *Standards of Professional Responsibility* in force between November 2011 to February 2014.
4. By engaging in conduct that contravened MFDA Rules 2.2.1, 2.1.1, 2.3.1(a) [now MFDA Rule 2.3.1(b)], 2.5.1 and 1.1.2, as set out in the MFDA Hearing Panel by Order dated September 30, 2021, the Respondent failed to provide professional services in accordance with applicable laws, regulations, rules or established policies of governmental agencies or other applicable authorities, contrary to Rule 24 of the *Standards of Professional Responsibility* in force between July 2021 and April 2022.

Dated: June 10, 2022

"Tamara Center"

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

## Appendix A

### Standards of Professional Responsibility for CFP Professionals and FPSC Level 1 Certificants in Financial Planning – November 2011 to September 2014

#### **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/her 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 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**

**A CFP professional shall act in a manner that reflects 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.

**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 15:** A CFP professional shall exercise reasonable and prudent professional judgment in providing financial planning.

### Standards of Professional Responsibility - July 2021 and April 2022

**Rule 24:** A Certificant shall provide their professional services in accordance with applicable laws, regulations, rules or established policies of governmental agencies and other applicable authorities, including FP Canada and the FP Canada Standards Council.