

THE DISCIPLINARY AND ETHICS COMMISSION

IN THE MATTER OF


CHUANBING RONG, CFP[®],

Respondent.

CFP Board Case No. 2022-63694

October 18, 2024

ORDER

Certified Financial Planner Board of Standards, Inc. (“CFP Board”) granted Respondent the CFP Board financial planning certification and right to use the CFP Board certification marks, including the CERTIFIED FINANCIAL PLANNER[®],  CFP[™], and CFP[®] certification marks (“CFP[®] marks”), on December 7, 2021, and he has been certified since that date. (DEC Book at 12.)¹

I. PROCEDURAL HISTORY

On January 25, 2024, Enforcement Counsel filed a Complaint with CFP Board’s Disciplinary and Ethics Commission (“Commission” or “DEC”) alleging violations of Standards A.8.a. and D.2.a of CFP Board’s *Code of Ethics and Standards of Conduct* (“*Code and Standards*”). (DEC Book at 3-9.) The Complaint cites a Letter of Acceptance, Waiver, and Consent (“AWC”) Respondent entered into with the Financial Industry Regulatory Authority, Inc. (“FINRA”) on December 16, 2022. (*Id.*)

Later on January 25, 2024, Respondent filed an Answer to the Complaint, in which he admitted all of the factual allegations set forth in the Complaint. (*Id.* at 41-46.)

On June 26, 2024, a Hearing Panel of the Commission convened at CFP Board’s headquarters in Washington, DC to hear testimony and consider documents and information relevant to Complaint. (Transcript of Hearing of Chuanbing Rong, CFP[®], June 26, 2024 (“Tr.”) at 1.) DEC Counsel appeared for the Commission and for the Hearing Panel of the Commission; Enforcement Counsel appeared for CFP Board via videoconference; and Respondent appeared via videoconference on his own behalf.

The Commission considered the Hearing Panel’s recommendation on whether to find that a violation occurred, whether there are grounds for sanction and, if so, the appropriate sanction, then issued this final order on October 18, 2024.

¹ The DEC Book and any other exhibits to this Order will not be published under Article 17.7 of CFP Board’s *Procedural Rules*. (See www.cfp.net/ethics/enforcement/procedural-rules.)

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II. FINDINGS OF FACT

A. Background

Respondent has been an engineer for a large well-known motor vehicle manufacturer since 2011. (Tr. at 40-41.) Respondent stated that to educate himself and eventually transition to a full-time career in the financial services industry, he obtained the CFP® certification and passed the following FINRA examinations: (a) Series 63 – Uniform Securities Agent State Law Examination (2018); (b) Series 6 – Investment Company Products/Variable Contracts Representative Examination (2018); (c) SIE – Securities Industry Essentials Examination (2018); and (d) Series 7 – General Securities Representative Examination (2021). (DEC Book at 19.)

Respondent maintains an insurance license with the Michigan Department of Insurance and Financial Services. (*Id.* at 30.)

Respondent has been associated with a registered investment advisor as an investment advisor representative since March 7, 2022. (*Id.* at 16.)

Respondent has also been associated with a brokerage firm since February 24, 2020. (*Id.*)

B. Respondent's Outside Business Activities

In April 2022, Respondent informed CFP Board that FINRA had initiated a regulatory inquiry of him and his brokerage firm regarding Respondent's affiliation with Pan's Financial, Inc. (*Id.* at 31, 41.)

According to Respondent, his wife incorporated Pan's Financial on March 13, 2020 as a non-securities related S-corporation selling fixed life insurance, fixed annuities, health insurance. (*Id.* at 32; Tr. at 30.) Respondent stated that Pan's Financial, for which he was Vice President and his wife was President, was a non-securities related "family business", and therefore he believed he was not required to disclose it to his brokerage firm. (*Id.* at 32-33, 41; Tr. at 30-31.) Respondent testified that he did not sell insurance through Pan's Financial to his brokerage firm's customers, and that the firm does not offer the insurance products Respondent typically sells through his Pan's Financial. (Tr. at 40-48.) Respondent testified that very little of his work and income resulted from his affiliation with the brokerage firm (between 5% to 7%), and he entered the financial services profession during the COVID-19 pandemic and had very little support or mentorship from the firm. (Tr. at 40-48.)

Respondent stated that, following a comprehensive and long investigation from March 2022 to December 2022, FINRA found no violations other than Respondent's failure to disclose his outside business activities. (*Id.*; *see also* Tr. at 32.)

C. Respondent Enters into a FINRA AWC

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On December 16, 2022, Respondent entered into a FINRA AWC in which he accepted and consented to factual findings that include the following:

- In March 2020, Respondent formed a company for the purpose of selling insurance and fixed annuities. (*Id.* at 35, 41.) Respondent served as the company’s vice president and secretary, and his duties included selling insurance and fixed annuities as well as performing bookkeeping for the company. Respondent’s activities with the company were outside the scope of his employment with his firm. (*Id.*)
- During the period of March 2020 to March 2022, Respondent earned compensation totaling approximately \$168,000 from his activities with the company, including an annual salary and distributions of commission payments. (*Id.*) Respondent failed to provide prior written notice to his firm of his activities with the company and did not disclose this outside business activity to the firm until March 2022, after receiving a written inquiry from FINRA regarding his activities with the company. (*Id.*)
- FINRA determined that by engaging in an outside business activity without prior written notice to his firm, Respondent violated FINRA Rule 3270. (*Id.*) In addition, by failing to notify his firm, FINRA determined that Respondent violated FINRA Rule 2010. (*Id.*)
- FINRA Rule 3270 prohibits registered persons from being an “employee, independent contractor, sole proprietor, officer, director or partner of another person, or being compensated, or having the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she provided prior written notice to the member in such form as specified by the member. (*Id.*)
- FINRA Rule 2010 requires registered representatives to “observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.” (*Id.*)
- Under the AWC, Respondent’s sanctions included a two-month suspension from associating with any FINRA member in all capacities, and a fine in the amount of \$5,000. (*Id.*)

III. DISCUSSION

To impose a sanction on Respondent, the Commission must find grounds for sanction. The Commission found grounds for a sanction against Respondent based on the authority granted to it in Article 12 of the *Procedural Rules*.

First Grounds for Sanction

Standard A.8.a. of CFP Board’s *Code and Standards* states that a CFP® professional must comply with the laws, rules and regulations governing Professional Services.

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Professional Services includes financial advice and related activities and services that are offered or provided, including, but not limited to, Financial Planning, legal, accounting, or business planning services.

Respondent was a CFP® professional at all times relevant to this violation.

As set forth in the AWC, Respondent violated FINRA Rules 2010 and 3270 by engaging in an outside business activity without providing prior written notice to his firm.

Article 7.2 of the *Procedural Rules* provides that a record from a (a) federal, state, local, or foreign governmental agency, (b) *self-regulatory organization*, or (c) other regulatory authority imposing discipline upon Respondent (“Professional Discipline”) is conclusive proof of the existence of such Professional Discipline and the facts and violations that serve as the basis for such Professional Discipline. The fact that Respondent has not admitted or denied the findings contained in the record does not affect the conclusiveness of the proof. Professional Discipline includes a censure, injunction, undertaking, order to cease and desist, fine, *suspension*, bar, or revocation, and the surrender of a professional license or certification in response to a regulatory action or regulatory investigation. A record of Professional Discipline includes a settlement agreement, order, consent order, and Letter of Acceptance, Waiver, and Consent.

FINRA is an industry self-regulatory organization. The FINRA AWC is a record of Professional Discipline by FINRA, and Respondent is the subject of that record. Therefore, under Article 7.2 of the *Procedural Rules*, the AWC conclusively establishes the existence of such Professional Discipline for purposes of this disciplinary proceeding and is conclusive proof of facts and violations set forth in the Complaint that serve as the basis for such Professional Discipline of Respondent.

FINRA Rules 2010 and 3270 are rules and regulations governing Professional Services. The FINRA AWC is conclusive proof that between July 2020 and March 2022 Respondent failed to comply with FINRA Rules 2010 and 3270 and therefore violated Standard A.8.a of the *Code and Standards*.

Therefore, there are grounds to sanction Respondent for a violation of Standard A.8.a. of the *Code and Standards*.

Second Grounds for Sanction

Standard D.2.a. of CFP Board’s *Code and Standards* states that a CFP® professional will be subject to discipline by CFP Board for violating policies and procedures of the CFP® Professional’s Firm that do not conflict with the *Code and Standards*.

Respondent was a CFP® professional at all times relevant to this violation.

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As set forth in the AWC, Respondent's firm's policies and procedures required all associated persons to notify the firm in writing prior to conducting any outside business activities, including employment beyond that of the employer firm. Between July 2020 and March 2022, Respondent violated his firm's policies and procedures by engaging in an outside business activity without providing prior written notice to his firm and conducted activities outside the scope of his employment with his firm.

The FINRA AWC is a record of Professional Discipline by FINRA, and Respondent is the subject of that record. Pursuant to Article 7.2 of the *Procedural Rules*, the AWC conclusively establishes the existence of such Professional Discipline for purposes of this disciplinary proceeding and is conclusive proof of facts and violations set forth in the Complaint that serve as the basis for such Professional Discipline of Respondent.

By engaging in an outside business activity without providing prior written notice to his firm and by conducting activities outside the scope of his employment with his firm, Respondent violated the policies and procedures of his firm and therefore violated Standard D.2.a.

Therefore, there are grounds to sanction Respondent for a violation of Standard D.2.a. of the *Code and Standards*.

IV. THE COMMISSION'S DECISION

Pursuant to Article 12.3 of CFP Board's *Procedural Rules*, the Commission's final order must impose a sanction if the Commission finds a violation that warrants a sanction. The Commission has discretion to order a sanction among the applicable sanctions set forth in Article 11.1.

After carefully considering the evidence in Respondent's matter and the violations found, the Commission determined to issue an Order imposing on Respondent a **Public Censure and 10 Hours of Continuing Education** that exceeds Respondent's minimum CFP Board certification requirements, on the topics of General Principles of Financial Planning and Professional Conduct and Regulations.²

CFP Board issued its non-binding *Sanction Guidelines* to serve as guidance for determining appropriate sanctions. The Commission considered the following categories of conduct and recommended sanctions in the *Sanction Guidelines*.

- Conduct 12: Employer Policies Violation (Private Censure)

² The Commission has some concern that Respondent, due to his inexperience, may not be following CFP Board's Practice Standards for the Financial Planning Process in determining the suitability of the products that he is selling to clients. The Commission determined that additional CE on these topics will help Respondent to re-familiarize himself with CFP Board's standards. Further compliance resources are available at: www.cfp.net/ethics/compliance-resources.

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- Conduct 33³: Professional Discipline as defined in Article 7.2 involving a suspension for up to one calendar month. (Public Censure)
- Conduct 34: Professional Discipline as defined in Article 7.2 involving a suspension over one but less than three calendar months. (Suspension for at least an equal length, up to one year)

The Commission considered whether there were any material mitigating or aggravating factors in this case and what weight those factors may have in its decision, including those provided by Enforcement Counsel at the hearing and Respondent in his Answer.

The Commission cited in aggravation that Respondent's misconduct occurred over an extended period of time—his outside business activities continued undisclosed for approximately two years.

The Commission cited in mitigation that:

1. Respondent has no disciplinary history;
2. Respondent's firm did not discipline Respondent for his misconduct;
3. Respondent did not appear to be employed or affiliated with his firm except to maintain his Series 63, 6, and 7 licenses, so Respondent testified credibly that he was confused that he was required to disclose Pan's Financial to the firm;
4. The FINRA AWC did not cite any client harm;
5. The FINRA AWC did not cite any violation by Pan's Financial; and

In light of the above several mitigating factors, the Commission viewed FINRA's two-month suspension of Respondent as overly punitive. Had FINRA suspended Respondent for one month, the recommended baseline sanction for Conduct 33 in CFP Board's *Sanction Guidelines* would be a Public Censure.

The Commission consulted various Case Histories⁴ (referred to as "CHs" or "ACHs") to determine if any offered non-binding precedent that may be persuasive to the Commission. The Commission considered the cases suggested by Respondent and by Enforcement Counsel, including ACH 32830 and ACH 31666, but specifically cited CH 30788 and CH 28828, in which the Commission issued a Public Censure against CFP® professionals whom FINRA had suspended for engaging in undisclosed outside business activities.

³ Enforcement Counsel's Complaint suggested, erroneously, that Conduct 33 (Public Censure) provided the appropriate guidance in the *Sanction Guidelines*, where Conduct 33 concerns Professional Discipline as defined in Article 7.2 involving a suspension for *up to one* (≤ 1) calendar month, but Respondent had been suspended by FINRA for *two* (2) months. (DEC Book at 9; *see also* Tr. at 24-25.) Enforcement Counsel provided evidence that it had notified Respondent of this error in advance of the hearing, on May 31, 2024. (*Id.*; *see also* Exhibit-1). Despite this error, the Commission also found Conduct 33 to be relevant, as discussed below.

⁴ Case Histories are available on CFP Board's website at www.cfp.net/ethics/enforcement/case-history.

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In consideration of the violations found, the aggravating and mitigating factors, and the relevant Case Histories, the Commission issues this Order imposing on Respondent a **Public Censure and 10 Hours of Continuing Education** that exceeds Respondent's minimum CFP Board certification requirements, on the topics of General Principles of Financial Planning and Professional Conduct and Regulations.

Ordered by:

The Disciplinary and Ethics Commission

Date: October 18, 2024