Voya Launches Robo-Advice Platform

Voya Financial Advisors Inc., retail wealth management arm of Voya Financial Inc., has launched a new hybrid digital advice platform for its network of advisors and their clients called the Voya Digital Adviser.

“While the typical direct-to-consumer digital service removes the advisor from the equation, our new platform ensures that the advisor remains integral to the process,” said Tom Halloran, president of Voya Financial Advisors. “This enables a client to receive the best of both worlds – access to self-directed investment advice model portfolios, along with the value and expertise of a personal advisor relationship.”

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Research from Voya noted that more than half of the advisors in a recent poll believed that a hybrid digital advice tool could help grow their businesses by up to 10 percent. Many also confirmed that such a tool could complement their current service offering by making it easier to access important client information and reach younger or less affluent investors.

The digital adviser platform has a minimum requirement of $5,000 to fund an account. After logging into the platform from their advisor’s website, the client answers a set of questions to identify his or her investment goals and risk tolerance. The platform then generates an account for the client to fund with 24/7 access to view and manage their progress, while meeting at least annually with an advisor to review investments.

Voya Financial serves approximately 13.8 million individual and institutional customers in the United States and had $547 billion in total assets under management and administration as

of March 31, 2019. Voya Financial Advisors approximately 1,700 advisors.

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Guest Contributor: Three Ways Investment Sponsors Can Leverage Technology in Their Syndication Efforts

By: Brad Blazar, Director of National Accounts at VENTURE.co

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It should be no surprise that leading wealth advisers, including Charles Schwab, Vanguard and others, have taken their advisory platforms online. Betterment, an online robo-adviser, has only been in existence since 2008 but now manages $16.4 billion in assets under management.

How can an online advisory provider like Betterment attain considerably more AUM than many "brick and mortar" advisory firms that have been around for 50 years or more? The answer: effective technology and an online presence.

The SEC reports that there were 37,785 Regulation D offerings reported on Form D filings in 2017, related to the raising of $1.8 trillion in capital. Since the JOBS Act of 2012, when the SEC lifted the ban on general solicitation – a technical term for publicly advertising a security – created the option for a general solicitation offering meeting the conditions spelled out in the new exemption, 506(c). Only 4% of capital raised in Regulation D offerings was done under rule 506(c).

Yet, some online platforms – such as iCapital, Artivest and VENTURE.co – are raising considerably more capital online than some leading sponsors in the traditional broker-dealer and/or advisory space. What is it that these guys know about raising capital through the 506(c) exemption that many sponsors don't?

The answer: by using technology you can accelerate the process of raising capital and get in front of a much larger audience. Sponsors working to raise institutional capital can benefit from the efficiency and organizational advantages of raising funds online, but they can usefully employ a FINRA-member broker-dealer to manage the process, offer credibility, and leverage their network of relationships.

Sponsor syndication efforts can be faster and more efficient than traditional syndication by exploiting new technology—making your capital raising process smarter and potentially more rewarding than ever before.

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By using subscription and syndicate management technology, a sponsor can effectively leverage the same tools a crowdfunding site uses to get in front of a much broader and larger audience of suitable investors. Here are three reasons to leverage technology to raise money.

1. Greater diversity of broker-dealer and advisory firms

As technology platforms work on simplifying investing by making it faster and easier, they've managed to attract and retain a large audience of broker-dealers and advisory groups from all over the country. The "general solicitation" feature offered under Reg. D exemption 506(c) (made possible by the JOBS Act of 2012) provides this opportunity.

Similar to traditional syndicate management in public markets, a technology-enabled private placement syndicate can leverage the investor networks of selling broker-dealer and RIA firms. Only by leveraging technology can an invitation be sent to hundreds of broker/dealer decision makers at once, across a

wide variety of industry, geography, and market focus.

That interest can be tracked and reported back to the sponsor in real time. By exposing your offerings to a broader audience, the sponsor or manager may get introduced to new firms they may not have had a prior existing relationship with – or may not have known existed before.

New introductions lead to new selling relationships, and in today's world of institutional investment specialization, the process of general solicitation can help to create suitable channels for new products.

2. Greater diversity of products for the selling broker-dealer to review

A complement to the benefit to syndicate managers is that selling brokerages now have access to greater diversity and quantity of products to sell. Selling brokerage due diligence officers and executives can review a wide range of products by sorting through debt or equity, corporate structure, industry, geography, sponsor tract record, minimum investment size, and more.

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As selling brokerage and RIA firms become more specialized to offer higher relational services to their specific clients, they look for products in line with their investment goals, whether they be high growth, income producing, ESG focused, or regional.

3. Efficiency without sacrificing relationship-building activities

On the registered rep side, advisors can choose a deal they want to discuss with a client, evaluate offering materials, and subscribe to the opportunity – and do it all online, 24/7. Traditional paper processing of subscription docs is eliminated, meaning client social security numbers and personal information is safely delivered and stored from one

encrypted entry point.

As a sponsor, you can expect a smoother, faster, safer process, because technology can streamline both the fundraising and reporting aspects of your deal, not to mention long-term organized retention and retrieval in the event of litigation or audit.

In conclusion, leveraging technology has undoubtedly changed the way sponsors can raise capital. By exposing an offering to selling broker-dealers and inviting them to view the due diligence materials in a virtual data room, sponsors can reduce administrative time, thereby lowering costs, accelerating the raise, and building a larger and more far-reaching selling group.

The views and opinions expressed in the preceding article are those of the author and do not necessarily reflect the views of The DI Wire.

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SEC Charges Two Robo-Advisers with Making False Statements

The Securities and Exchange Commission has instituted settled proceedings against two robo-advisers for making false statements about investment products and publishing misleading advertising. The proceedings are the SEC's first enforcement actions against robo-advisers, which provide automated, software-based portfolio management services.

An SEC order found that Redwood City, California-based Wealthfront Advisers LLC (formerly known as Wealthfront Inc.),

a robo-adviser with more than $11 billion in client assets under management, made false statements about a tax-loss harvesting strategy it offered to clients.

Wealthfront disclosed to clients employing its tax-loss harvesting strategy that it would monitor all client accounts for any transactions that might trigger a wash sale – which can diminish the benefits of the harvesting strategy – but failed to do so. Over a period of more than three years during which it made this disclosure, wash sales occurred in at least 31 percent of accounts enrolled in Wealthfront's tax loss harvesting strategy.

The SEC's order also found that Wealthfront improperly re-tweeted prohibited client testimonials, paid bloggers for client referrals without the required disclosure and documentation, and failed to maintain a compliance program reasonably designed to prevent violations of the securities laws.

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A separate SEC order found that New York City-based Hedgeable Inc., a robo-adviser which had approximately $81 million in client assets under management, made a series of misleading statements about its investment performance.

According to the order, from 2016 until April 2017, Hedgeable posted on its website and social media purported comparisons of the investment performance of Hedgable's clients with those of two robo-adviser competitors.

The SEC claims that the performance comparisons were misleading because Hedgeable included less than 4 percent of its client accounts, which had higher-than-average returns. Hedgable compared this with rates of return that were not based on competitors' actual trading models.

The SEC's order also found that Hedgeable failed to maintain required documentation and failed to maintain a compliance program reasonably designed to prevent violations of the

securities laws.

“Technology is rapidly changing the way investment advisers are able to advertise and deliver their services to clients,” said C. Dabney O’Riordan, Chief of the SEC Enforcement Division’s Asset Management Unit. “Regardless of their format, however, all advisers must take seriously their obligations to comply with the securities laws, which were put in place to protect investors.”

The SEC’s order against Wealthfront found that the adviser violated the antifraud, advertising, compliance, and other provisions of the Investment Advisers Act of 1940. Without admitting or denying the SEC’s findings, Wealthfront consented to the entry of the SEC’s order censuring it, requiring it to cease and desist from further violations, and imposing a $250,000 penalty.

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The SEC’s order against Hedgeable found that the adviser violated the antifraud, advertising, compliance, and books and records provisions of the Investment Advisers Act of 1940. Without admitting or denying the SEC’s findings, Hedgeable consented to the entry of the SEC’s order censuring it, requiring it to cease and desist from further violations, and imposing an $80,000 penalty.

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