SEC AMAC SUBCOMMITTEE: EVOLUTION OF ADVICE

SEPTEMBER 27, 2021
**SEC AMAC SUBCOMMITTEE: EVOLUTION OF ADVICE**

**THEMES EXPLORED IN PREVIOUS AMAC MEETINGS**

**JULY 16, 2020**

**Panel: Data Privacy and Technology’s Impact on Investment Advice**

- The evolution of industry interaction
- Technology advancements have created advantages in servicing clients
- New risks regarding the use and security of personal data
- Technology’s role in the evolution of investment advice
- Open questions to be addressed by regulators and the industry

**MARCH 19, 2021**

**Effect of personalization on the delivery of advice and client service**

- Key trends and impact to investment advice
- Potential risks associated with artificial intelligence and machine learning-driven personalization
- Relationship between access to investor personal information and adviser recommendations
- Impact of personalization on an investor’s ability to respond to and evaluate quality of investment advice

**JULY 7, 2021**

**Panel: Evolution of Advice: Technology-Enabled Personalization**

- Overview of broad range of personalized tools offered
- Benefits of technology to driving investor efficiency and client satisfaction
- Considerations for personalized investing when technology is utilized throughout the investment lifecycle
- How technology and financial advice fits within the investment adviser space
Access to Consumer Data

- Data aggregation is used to provide consumer information for Learning (Mint.com or budgeting apps) and Doing (Venmo, PayPal)
- Screen Scrapers require consumers to share credentials without sharing consent
- APIs allow for consumers to consent to access in a safe and transparent manner
- Consumers should be able to consent to provide specific data to a specific party, monitor who has access and revoke access as needed
- The consent process must be conspicuous from a user experience and design standpoint

Considerations for Regulation

- Evolve regulation from product-centric to advisory-centric?
- Principle based model of regulation across value chain?
- Need to re-define what is and what isn’t advice?
- Regulatory equity between human-led and algo-led advice?
- Benefits to investors of regulatory consistency across the industry

Enabling the Fiduciary Process

- Access to technology improves transparency with investors
- Allows recommendations to leverage holistic view of a client’s financial situation
- Deliver advice at scale by leveraging technology to personalize portfolios
- Transparent reporting helps educate the investor creating confidence and trust
**SEC AMAC SUBCOMMITTEE PANELISTS: EVOLUTION OF ADVICE, TECHNOLOGY-ENABLED PERSONALIZATION PANEL (JULY 7, 2021)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Company/Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ed O'Brien</td>
<td>eMoney Advisor LLC</td>
</tr>
<tr>
<td>Jay Lipman</td>
<td>Ethic</td>
</tr>
<tr>
<td>Dan Egan</td>
<td>Betterment</td>
</tr>
<tr>
<td>Michael Kitces</td>
<td>Kitces.com</td>
</tr>
</tbody>
</table>

**Benefits**
- Dynamic iterative and monitoring capabilities
- Ability for holistic view of client's current financial health
- Servicing households not engaged in-person advice model
- Survey results show technology driving advisor efficiency and client satisfaction

**Considerations**
- What information is most useful for investors in assessing and comparing personalized investments
- How can investors assess personalized choices over time
- What is the role of regulators in balancing transparency but not hindering innovation

**Types of Personalization**
- Visible personalization that are trackable and transparent
- Digital automatic solutions that allow more efficient service of investors
- Allows education and motivates investors to take action towards their goals

**Industry Trends**
- Technological revolution similar to industrial revolution
- Role of education, transactions, advice, and management
- Historical view of regulation tied to products
First
Provide a simplified spectrum of how data, technology, and AI is evolving for personalized service from simple digital reminders all the way to highly personalized advice.

Second
Align that to the current state of regulation.

Output
Does the current regulatory framework support the spectrum or present gaps with opportunities to improve investor protection?