

**Part 2A Appendix 1 of Form ADV: *Investor Channel Wrap Fee Program Brochure***

**Voya Financial Advisors, Inc.**

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March 31, 2017

This wrap fee program brochure provides information about the qualifications and business practices of Voya Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 800-356-2906 or [voyafacompliance@voya.com](mailto:voyafacompliance@voya.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Voya Financial Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 2882.

## **Item 2     Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Investor Channel Wrap Fee Program Brochure ("Wrap Brochure"), dated March 31, 2017, is our disclosure document prepared according to the SEC's requirements and rules.

After our initial filing of this Wrap Brochure, VFA will periodically provide clients with a summary of new and/or updated information. VFA will inform clients of specific changes based on the content of the updated information.

Consistent with the rule, VFA will provide clients a summary of any material changes to this and subsequent Wrap Brochures within 120 days of the close of VFA's fiscal year, which ends December 31st. Furthermore, VFA will provide clients with other interim disclosures about material changes as necessary. VFA's Wrap Brochure may be requested by email sent to [voyafacompliance@voya.com](mailto:voyafacompliance@voya.com) or by calling 800-356-2906.

The following summarizes the material changes made to VFA's brochures since March 24, 2016:

### **Item 9   Disciplinary Information**

Item 9 was updated in July to include that the Commonwealth of Massachusetts Securities Division (the "Division") alleged that the Firm violated Section 204(a)(2)(J) of the Massachusetts Uniform Securities Act by failing to include specific policies regarding voting shareholder proxies in its written supervisory procedures or other manuals. VFA was censured and paid an administrative fine of \$100,000.00 to the Commonwealth of Massachusetts. VFA was also required to certify that it had reviewed its written supervisory policies and procedures with respect to broker-dealer representative proxy voting. VFA agreed to report to the Division within thirty (30) days of the Consent Order regarding the steps taken by VFA during its review, along with conclusions and recommendations resulting from the review.

Item 9 was updated in December to include that the Financial Industry Regulatory Authority ("FINRA") alleged that Voya Financial Advisors, Inc. ("Firm") failed to (a) implement a supervisory system and procedures designed to reasonably ensure suitability of its multi-share class variable annuities sold to customers, (b) identify and investigate red flags in variable annuity sales, (c) supervise variable annuity sales, and (d) implement an adequate supervisory system and procedures for variable annuity exchange transactions. Without admitting or denying FINRA's findings, the Firm consented to the entry of findings and the sanctions described in Item 9 by agreeing to a Letter of Acceptance, Waiver and Consent ("AWC") that was accepted by FINRA on November 2, 2016. The AWC included a Firm censure and fine in the amount of \$2,750,000. The Firm also agreed to pay restitution to customers in accordance with a plan not unacceptable to FINRA in an amount that will total not less than \$1,800,000.

Item 9 has been updated to include that the Financial Industry Regulatory Authority ("FINRA") alleged that Voya Financial Advisors, Inc. ("Firm") failed to report to TRACE 100 transactions in TRACE Agency/Securitized Products ("SP") within the time permitted by FINRA Rule 6730, constituting 26.25 percent of the transactions in TRACE-eligible SP (381) that the Firm reported to TRACE during the fourth quarter of 2015. This conduct constituted separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010. Without admitting or denying FINRA's findings, the Firm accepted and consented to the described findings and to the entry of a censure and fine in the amount of \$7,500 by agreeing to a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA. FINRA accepted the AWC on March 1, 2017.

Item 9 has also been updated to include that the Securities and Exchange Commission ("SEC") alleged that Voya Financial Advisors, Inc. ("Firm"), in its role as a Registered Investment Adviser, failed to disclose to its clients the compensation it received through an arrangement with a third party broker-dealer ("Clearing Firm"), and conflicts of interest arising from that compensation. Through an addendum to the fully-disclosed clearing agreement between Clearing Firm and the Firm, Clearing Firm shared with the Firm certain revenues it received from the mutual funds in Clearing Firm's no-transaction-fee mutual fund program ("NTF Program"). In a separate agreement, Clearing Firm agreed to pay the Firm a certain percentage of service fees that Clearing Firm received from certain mutual funds in the NTF Program in exchange for the Firm performing certain administrative services on Clearing Firm's behalf. The SEC alleged that these payments created a conflict of interest in that they provided a financial incentive for the Firm to favor the mutual funds in the NTF Program over other investments when giving investment advice to its advisory clients. The SEC alleged that the Firm did not disclose the aforementioned arrangements or the resulting conflict of interest to its advisory clients, resulting in a violation of Sections 206(2) and 207 of the Advisers Act. The SEC also alleged that, by not adequately implementing policies and procedures reasonably designed to ensure proper disclosure of conflicts of interests, the Firm violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Without admitting or denying these findings, the Firm consented to the entry of an Order Instituting Administrative and Cease and Desist Proceedings ("Order"). The Firm agreed to a censure and disgorgement of \$2,621,324, prejudgment interest of \$174,629.78, and a civil monetary penalty of \$300,000. The Firm agreed to cease and desist from committing or causing any violations or future violations of Sections 206(2), 206(4) and 207 of the Advisers Act and Rule 206(4)-7 thereunder. The Firm further agreed to comply with the following undertakings: the Firm will provide a copy of the Order to each of the Firm's existing advisory clients within forty-five days of the entry of the Order and further comply with all disclosure obligations concerning the Order under the Advisers Act. The Firm will certify its compliance with the previous undertaking no later than sixty days from the completion of the undertaking. The Order was executed on March 8, 2017.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Services, Fees and Compensation	4
Item 5	Account Requirements and Types of Clients	10
Item 6	Portfolio Manager Selection and Evaluation	10
Item 7	Client Information Provided to Portfolio Managers	11
Item 8	Client Contact with Portfolio Managers	11
Item 9	Additional Information	11

## **Item 4 Services Fees and Compensation**

### **Introduction**

VFA is dually registered as an SEC-registered investment adviser and broker dealer with its principal place of business located in Des Moines, Iowa. VFA began conducting business in 1994.

VFA sponsors the Investor Channel Unified Managed Account Program (the "IC UMA Program") wrap fee program for Investor Channel advisors ("IAR"). A wrap fee program is an advisory program under which a specified fee or fees, not based directly on transactions in the client's account, is charged for advisory services. Services may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions and custody of program assets.

This Wrap Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the IC UMA Program. For purposes of the Wrap Brochure, "our", "us" and "we" refer to VFA, and "you" and "your" refer to prospective and existing investment advisory clients of VFA.

VFA cannot guarantee future financial results or the achievement of your financial goals through implementation of any advice or recommendations provided to you. VFA does not monitor the day-to-day performance of your specific investments.

For a complete description of the other services and fees offered by VFA, clients should refer to our Form ADV Part 2: Firm Brochure ("Firm Brochure"). You may obtain a copy of our Firm Brochure by contacting us at [vfacompliance@voya.com](mailto:vfacompliance@voya.com) or by calling 800-356-2906

### **IC UMA Program Services**

#### **Description**

VFA sponsors the IC UMA Program, a wrap fee program. Through the IC UMA Program, VFA provides clients with advice, custodial services, trade execution and related services for a single asset-based fee.

The IC UMA Program combines multiple investment disciplines and investment options in a single account. Investment options include, but are not limited to, mutual funds, fixed income securities, exchange-traded funds ("ETFs"), separately managed accounts and model portfolios. Through the IC UMA Program, clients are provided with investment services from affiliated or unaffiliated Independent Investment Strategists ("IIS" or "Strategist").

Your IC UMA Program relationship begins with completing a Risk Tolerance Questionnaire. The purpose of this questionnaire is to assist your IAR in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information we gathered will also be used to recommend an appropriate IIS(s). Based on the answers provided, an Investment Policy Statement ("IPS") will be generated. The IPS will present to you one or more investment styles for consideration.

Your IAR may recommend investment portfolios designed by one or more affiliated or unaffiliated IIS(s) who independently select the equity or fixed income funds for the investment

portfolio selected (each, an “IIS Sleeve”). Your IAR will provide you with the IIS’s Form ADV Part 2A Disclosure Brochure prior to your investment in that Strategist’s particular IIS Sleeve. The IIS’s Form ADV Part 2A contains important information regarding the IIS’s business model, investment services and fees. Trades will be executed by our overlay manager, FolioDynamix, Inc. (“Folio”) and cleared through Pershing LLC.

Your IAR will assist you in determining an appropriate investment strategy to follow. Decisions to move to/from IIS Sleeves managed by an affiliated IIS in the IC UMA Program will be executed only with the client’s prior authorization. Decisions to move between unaffiliated IISs in the IC UMA Program will be executed only with the client’s prior authorization unless the client elects to give IAR prior written approval for limited discretionary trading authority through a power of attorney, subject to VFA approval. The limited discretionary authority will only extend to transactions in unaffiliated IIS(s) and will not apply to affiliated IIS(s).

The program currently utilizing affiliated strategists’ mutual fund portfolios is the Voya Investments Management’s Global Perspectives Market Models Series (“GPMM Models”). In making their fund selections, the Voya IM Strategist chooses from the Voya family of mutual funds (the “Voya Funds”) that are housed on the FundVest Mutual Fund Program platform (“FundVest Program”) that is established and maintained by Pershing, LLC, VFA’s clearing firm (“Pershing”). The GPMM Models contain Voya Funds that utilize a “W” share class, which carry no fees pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (referred to as “12b-1 fees”). The program transaction charges are waived for purchases of program-qualified funds that would normally carry transaction charges.

An ETF version of GPMM Models is also available and follows the same investment management process as the Mutual Fund version.

### **No Discretion or Fiduciary Role by VFA or its Affiliates**

In certain cases, the client may elect to grant discretion to the IAR in the selection of an unaffiliated Strategist. In all other cases, neither VFA nor its affiliates have discretion over the client’s investment decision. The final decision to select and invest in a Model Portfolio is made by the client. Furthermore, with respect to an IRA or ERISA account invested in a Model Portfolio, neither VFA nor its affiliates are acting as a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 (“ERISA”) or the Internal Revenue Code of 1986.

### **Strategist’s Authority to Rebalance the Model Portfolios**

Strategists may rebalance a client’s account in the event that client’s portfolio and/or investments within client’s account fall outside of acceptable allocation ranges determined by the Strategist for the Model Portfolio the Client has selected.

### **GPMM Models**

Voya IM relies on a set of pre-determined rules to rebalance the GPMM Models. With respect to the GPMM Models, Voya IM will apply a mathematical process to rebalance the portfolio automatically on a quarterly basis so that the percentages invested in each fund approximate the percentages invested in each fund initially; this may entail reducing investments in certain funds and increasing the investment in others. With respect to the GPMM ETF Series,

rebalancing occurs quarterly when a position increases or decreases by 5% or more. With respect to the GPMM Mutual Fund Series, rebalancing occurs quarterly when a position increases or decreases by 5% or more and is not subject to a minimum trade restriction. For example, in general, if year-over-year earnings growth of companies in the Standard & Poor's 500 Index changes from positive to negative, half of the equities in GPMM are sold and reinvested in fixed income; if earnings growth changes from negative to positive, the portfolios are restored to their original allocation.

### **Changes to the Mutual Fund Line-Up**

In certain situations, such as where a mutual fund closes or where a mutual fund's portfolio manager departs, a Strategist may replace the fund with another appropriate fund provided the management fee and other compensation paid to the Strategist from the new fund is no greater than that paid from the fund being replaced.

### **Modifications may have Tax Ramifications**

The Strategists do not possess knowledge of the client's individual information or investment information or provide personalized investment advice. From time to time, the Strategists will add and remove investments from their respective Model Portfolios, and will modify the allocation within and/or rebalance the Model Portfolios. Such modifications in the Model Portfolios will then be effected through the sale of investments in client accounts which may have tax ramifications for clients based on the transactions that result in the client's account.

### **Risk of Loss**

All investments have risks, including the risk of loss of the client's principal investment. While VFA, the IAR and respective Strategists seek to balance potential for investment gain against the risk of loss, there is risk in these investments as outlined in the Firm Brochure and in the prospectus and offering documents of the underlying investments. While the use of the IC UMA Program, including the Model Portfolios developed by the Strategists, can help manage this risk, there have been periods in the past where markets in general and individual investments have lost value and there will be similar periods in the future. Investment returns, particularly over shorter time horizons, are highly dependent on trends in the various investment markets. Thus, VFA's respective investment advisory services are generally suitable for long term investment objectives or strategies, rather than for short term trading purposes. There is no guarantee that client investment objectives will be achieved.

### **Termination of the Advisory Relationship**

A client agreement may be terminated at any time, by either party, for any reason. Termination by the client is effective upon receipt of written notice by VFA unless a later date is requested in the client's notice and agreed to by VFA. Termination by VFA is effective 30 days from the date of written notice to the client, unless a later date is stated in the notice. Client may terminate without penalty within five business days of entering into an investment advisory agreement. As disclosed above, fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's

reimbursement of fees, VFA will pro rate the reimbursement according to the number of days remaining in the billing period.

## **IC UMA Program Fees**

### **General Information**

In general, fees for VFA investment advisory services are based upon a percentage of assets under management and are charged quarterly or monthly in advance by debiting advisory fees from client accounts, except as otherwise specified below.

If management of the assets begins after the start of a quarter or the month, as applicable, Wrap Program fees will be prorated accordingly. You authorize VFA to debit fees from your account in accordance with the terms set forth in your IC UMA Program Account Agreement, Exhibits, and Addenda ("Agreement").

Advisory services fees charged by other investment advisers may be similar to or lower than the fees that VFA charges.

### **IC UMA Program Fee Description**

The Management Fee is assessed based on the total market value of the IC UMA account and applied by asset tier per account, as stated on the Fee Schedule in the IC UMA account agreement. On the client's behalf, VFA pays a portion of the asset-based fee to the IIS for services. Any transfer of assets from one IIS to a different IIS may result in a higher or lower Management Fee, as a result of the difference in the Management Fees that each IIS charges. Miscellaneous, one-time, or other fees, including, but not limited to a wire transfer fees (if applicable), will not be offset against the asset-based fee.

The Advisor Directed Sleeve of the UMA Program also charges an annualized asset-weighted fee ("Asset-Weighted Fee") of nine bases points (0.09%) for UMA Program services. FundVest and Strategic Partners assets are excluded from this calculation. Therefore, as the portfolio allocation to FundVest and Strategic Partners assets increases, the Asset-Weighted Fee decreases. The total Asset-Weighted Fee is a blended rate based on the total portfolio value as of the last business day of the preceding calendar quarter or month. Client understands and agrees that Sponsor, Pershing, their Affiliates and their representatives, consultants, or other agents in connection with the performance of their respective services, shall be entitled to and will share in the Asset-Weighted Fee.

The Firm performs certain shareholder services on behalf of Horizon Funds, which are available in the UMA Program, pursuant to a Shareholder Services Agreement. In exchange for shareholder services rendered, the Firm receives monthly compensation at an annual rate equal to 0.25% of average daily net asset value of the shares of Funds for which shareholder services are rendered. The receipt of such compensation creates a conflict of interest as it incentivizes the Firm to recommend use of Horizon Funds over other funds for which the Firm does not render shareholder services.

The IC UMA Program incorporates fees that would otherwise be assessed to the client account including, among other things, transaction costs, paper surcharges and the annual IRA



custodial fee.

### Maximum Annual Total Client Fee

Portfolio Value:	From	To	Voya GPMM MF Series	Voya GPMM ETF Series	MWMP Programs	Symmetry Partners
First	\$0	\$250,000	0.97%	1.10%	1.15%	1.15%
Next	\$250,001	\$500,000	0.77%	1.00%	0.95%	1.05%
Next	\$500,001	And over	0.57%	0.95%	0.75%	1.00%

A minimum account value of \$10,000 - \$50,000 is generally required for the IC UMA Program, dependent upon the strategist selected. Please refer to the IC UMA Program Agreement for more detailed information.

The information gathered will be used to propose an appropriate asset allocation strategy. Once you receive your proposal and meet with your IAR, you will determine whether to adopt, modify or reject the recommended asset allocation strategy.

### Payments to Strategists and IARs

On the client's behalf, VFA pays a portion of the fee we receive from the client to the selected account managed by that particular Strategist. Voya IM has waived charging a management fee for the GPMM – Mutual Fund Series models. Voya IM has not waived charging a management fee for the GPMM – ETF Series models. Your total management fee will vary depending on the fees charged by the Strategist you choose.

The IAR that recommends the IC UMA Program to you receives compensation as a result of your participation in such program. Such compensation creates a financial incentive for the IAR to take particular action, which includes, but may not be limited to, recommending the IC UMA Program over other investment advisory programs or services. Clients receive disclosure regarding the particular product and fees as well as the arrangement or affiliation between the entities.

### Consider Fees Carefully

Under the Program, the client receives investment advisory services, the execution of brokerage transactions, custody and reporting services for a single specified Wrap Program Fee. The value of the services provided under this Program may exceed the total cost of such services had they been provided separately. The Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs. In addition, a disparity in wrap fees may exist between the wrap fees charged to other clients.

All fees paid to VFA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible 12b-1 fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without our services, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

## **Item 5 Account Requirements and Types of Clients**

### **Minimum Account Requirements**

#### **IC UMA Program**

Participation in the IC UMA Program is subject to certain minimum account requirements. A minimum account value of \$10,000 - \$50,000 is generally required for the IC UMA Program, dependent upon strategist selected. Please refer to the IC UMA Program Agreement for more detailed information.

The minimum deposit may consist of both cash and securities. In the event that a deposit for less than the required minimum opening balance is received, the assets will not be managed until the minimum opening balance is met, although the fee will be charged. Any cash deposited during this interim period will be deposited into a money market fund. IISs may have different account minimums and restrictions on the types of investments they manage.

### **Types of Clients**

VFA provides investment advisory services in the IC UMA Program, where appropriate, to:

- Individuals, including high net worth individuals
- Pension & Profit Sharing Plans (other than plan participants)
- Charitable Organizations
- Corporations or other business not listed above

## **Item 6 Portfolio Manager Selection and Evaluation**

### **Strategist Selection**

As previously disclosed, VFA has selected certain affiliated and unaffiliated Strategists to participate in the IC UMA Program. In its role as sponsor and investment adviser of the Program, VFA is responsible for conducting due diligence and selecting the Strategists and Model Portfolios to be offered through the IC UMA Program. We evaluate Strategists based on extensive information provided by that Strategist, including descriptions of its investment process, asset allocation strategies, sample portfolios, financials and the Strategist's disclosure brochure(s). We also analyze performance, risk characteristics and management style. VFA periodically reassesses, but does not continuously monitor, the performance of the selected strategist(s). If VFA or the IAR determines that a particular selected strategist(s) is not

managing the client's portfolio in a manner consistent with the client's IPS, or the client's investment objectives and situation changes, the IAR may recommend a different strategist. If your IAR has discretion with respect to your account, the advisor will not monitor the performance of your account on a day-to-day basis.

VFA may terminate the relationship, at our sole discretion, with any Strategist and may retain one or more new or existing Strategists to participate in the Program. Circumstances under which a Strategist might be removed include (but are not limited to) performance, departure from the Strategist's stated investment discipline, or material changes in the organization.

See Item 4 for additional information about how the IAR recommends Strategists for each client and the IAR's process for reviewing Strategists.

### **Selection of Affiliated Strategists**

Our processes for evaluating affiliated Strategists are the same as those used for unaffiliated Strategists. We recognize the inherent conflicts of interest when assessing affiliated Strategists and assisting clients in selecting investment managers, because VFA and/or our affiliates may receive more aggregate fees if clients select an investment manager that is affiliated with our firm. We seek to mitigate some of the associated conflicts of interest by applying these uniform standards to ensure that clients' assets are managed in a fair and equitable manner.

### **Portfolio Performance Reporting**

Clients have access to quarterly performance reports summarizing account performance, balances and holdings.

### **Item 7            Client Information Provided to Portfolio Managers**

Although the Strategists remain responsible for managing the Model Portfolios, they do not possess knowledge of your individual information or investment goals and objectives, and do not have a direct relationship with you.

### **Item 8            Client Contact with Portfolio Managers**

Clients utilizing the Model Portfolios generally do not have contact with the Strategists. Clients should contact their IAR or VFA with any questions they may have regarding their Accounts.

### **Item 9            Additional Information**

#### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our firm and/or our management personnel:

- 1) The Securities and Exchange Commission ("SEC") alleged that Voya Financial Advisors, Inc. ("Firm"), in its role as a Registered Investment Adviser, failed to disclose to its clients the compensation it received through an arrangement with a third party broker-dealer ("Clearing

Firm”), and conflicts of interest arising from that compensation. Through an addendum to the fully-disclosed clearing agreement between Clearing Firm and the Firm, Clearing Firm shared with the Firm certain revenues it received from the mutual funds in Clearing Firm’s no-transaction-fee mutual fund program (“NTF Program”). In a separate agreement, Clearing Firm agreed to pay the Firm a certain percentage of service fees that Clearing Firm received from certain mutual funds in the NTF Program in exchange for the Firm performing certain administrative services on Clearing Firm’s behalf. The SEC alleged that these payments created a conflict of interest in that they provided a financial incentive for the Firm to favor the mutual funds in the NTF Program over other investments when giving investment advice to its advisory clients. The SEC alleged that the Firm did not disclose the aforementioned arrangements or the resulting conflict of interest to its advisory clients, resulting in a violation of Sections 206(2) and 207 of the Advisers Act. The SEC also alleged that, by not adequately implementing policies and procedures reasonably designed to ensure proper disclosure of conflicts of interests, the Firm violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Without admitting or denying these findings, the Firm consented to the entry of an Order Instituting Administrative and Cease and Desist Proceedings (“Order”). The Firm agreed to a censure and disgorgement of \$2,621,324, prejudgment interest of \$174,629.78 and a civil monetary penalty of \$300,000. The Firm agreed to cease and desist from committing or causing any violations or future violations of Sections 206(2), 206(4) and 207 of the Advisers Act and Rule 206(4)-7 thereunder. The Firm further agreed to comply with the following undertakings: the Firm will provide a copy of the Order to each of the Firm’s existing advisory clients within forty-five days of the entry of the Order and further comply with all disclosure obligations concerning the Order under the Advisers Act. The Firm will certify its compliance with the previous undertaking no later than sixty days from the completion of the undertaking. The Order was executed on March 8, 2017.

2) The Financial Industry Regulatory Authority (“FINRA”) alleged that Voya Financial Advisors, Inc. (“Firm”) failed to report to TRACE 100 transactions in TRACE Agency/Securitized Products (“SP”) within the time permitted by FINRA Rule 6730, constituting 26.25 percent of the transactions in TRACE-eligible SP (381) that the Firm reported to TRACE during the fourth quarter of 2015. This conduct constituted separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010. Without admitting or denying FINRA’s findings, the Firm accepted and consented to the described findings and to the entry of a censure and fine in the amount of \$7,500 by agreeing to a Letter of Acceptance, Waiver and Consent (“AWC”) with FINRA. FINRA accepted the AWC on March 1, 2017.

3) The Financial Industry Regulatory Authority (FINRA) alleged that Voya Financial Advisors, Inc. (Firm) failed to (a) implement a supervisory system and procedures designed to reasonably ensure suitability of its multi-share class variable annuities sold to customers, (b) identify and investigate red flags in variable annuity sales, (c) supervise variable annuity sales, and (d) implement an adequate supervisory system and procedures for variable annuity exchange transactions. The Firm’s failures included, but were not limited to supervision and oversight, and the maintenance of policies and procedures regarding the sale of L-share variable annuities with Long-Term Income riders and no persistency credits to investors with long-term time horizons. Without admitting or denying FINRA’s findings, the Firm accepted and consented to the entry of findings and the sanctions described below by agreeing to a Letter of Acceptance, Waiver and Consent (AWC) that was accepted by FINRA on November 2, 2016. The AWC included a Firm censure and fine in the amount of \$2,750,000. The Firm agreed to pay restitution to customers in accordance with a plan not unacceptable to FINRA in an amount that will total not less than \$1,800,000. The Firm additionally agreed to review and revise, as

necessary, its systems, policies and procedures and training with respect to multi-share class variable annuity sales. The Firm will certify to FINRA that it has established policies and procedures that are reasonably designed to achieve compliance with applicable FINRA and NASD rules.

4) The Commonwealth of Massachusetts Securities Division (the "Division") alleged that the Firm violated Section 204(a)(2)(J) of the Massachusetts Uniform Securities Act by failing to include specific policies regarding voting shareholder proxies in its written supervisory procedures or other manuals. The Division found that two Firm representatives voted shareholder proxies on behalf of customers despite VFA's position that it does not permit registered representatives to vote shareholder proxies on behalf of customers. VFA entered into a Consent Order with the Division on June 22, 2016. VFA admitted the Division's Statement of Facts but neither admitted nor denied the Violations of Law contained therein. VFA was censured and paid an administrative fine of \$100,000.00 to the Commonwealth of Massachusetts. VFA was also required to certify that it had reviewed its written supervisory policies and procedures with respect to broker-dealer representative proxy voting. VFA agreed to report to the Division within thirty (30) days of the Consent Order regarding the steps taken by VFA during its review, along with conclusions and recommendations resulting from the review.

5) The Florida Office of Financial Regulation alleged that Voya Financial Advisors, Inc. (Firm) was in violation of Rule 69W-600.013(1)(h)(1), Florida administrative statutes, by violating NASD Rule 3010(b)(1), by failing to enforce its written supervisory procedures in the supervision of variable annuity purchases. Without admitting or denying the findings, the Firm consented to the described sanctions and to the entry of a Final Order. In the Final Order, the Florida Office of Financial Regulation stated that the Firm's trade review principals failed to request additional information to determine suitability for six (6) customer annuity purchases, failed to obtain full documentation of variable annuity purchases for four (4) customer files, and failed to adequately review surrender charges on twenty-two (22) annuity transactions, of which fourteen (14) were identified by the Firm. The Firm has paid restitution to any affected customers. The Firm agreed to cease and desist from violations of Chapter 517, Florida statutes, and the Office's rules promulgated thereunder, and agreed to henceforth strictly comply with all provisions of Chapter 517, Florida statutes, and the Office's rules promulgated thereunder. The Firm paid an administrative fine of \$50,000. This matter was resolved on March 2, 2016.

6) The Financial Industry Regulatory Authority (FINRA) alleged that Voya Financial Advisors, Inc. (Firm) failed to identify and apply volume discounts to certain customers' eligible purchases of Real Estate Investment Trusts (REITs) and Business Development Companies (BDCs), resulting in customers paying excessive sales charges of approximately \$42,000. The Firm has paid restitution in the amount of \$42,166.56, in addition to interest in the amount of \$3,519.65. Also, it was found the Firm failed to establish, maintain and enforce a supervisory system and written supervisory procedures with respect to the sale of REITs and BDCs. The FINRA findings also stated that the Firm failed to identify and apply sales charge discounts to certain customers' eligible purchases of Unit Investment Trusts (UITs). Specifically, the Firm failed to supply discounts resulting in the customers paying excessive sales charges of \$322,000. The Firm has already paid restitution to all affected customers. Also, the Firm failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure customers received sales charge discounts on eligible UIT purchases. Without admitting or denying FINRA's findings, the Firm consented to the described sanctions and to the entry of findings by agreeing to a Letter of Acceptance, Waiver and Consent with FINRA on July 20, 2015, which included a Firm censure and fine in the amount of \$325,000.

7) The Financial Industry Regulatory Authority (FINRA) alleged that Voya Financial Advisors, Inc. and four control affiliates (Directed Services, LLC, Voya America Equities, Inc., Voya Financial Partners, LLC, and Voya Retirement Advisors, LLC) collectively known as ("Respondent Firms"), were involved in violations of the supervision and email retention requirements of FINRA rules and federal securities laws over an extended period of time. Without admitting or denying FINRA's findings, the Respondent Firms consented to the described sanctions and to the entry of findings by agreeing to a Letter of Acceptance, Waiver and Consent with FINRA. The Respondent Firms were censured and fined in the aggregate amount of \$1.2 million, of which Voya Financial Advisors, Inc. was responsible for \$347,394.96. In the Acceptance, Waiver and Consent, FINRA acknowledged that the Respondent Firms self-reported the email issues described herein and undertook an internal review of their supervisory policies, procedures and systems relating to these issues. FINRA stated that the sanctions reflect the credit that the Respondent Firms have been given for self-reporting these issues, and for the substantial assistance they provided to FINRA during its investigation by, among other things, providing information obtained as a result of their internal investigation. The Respondent Firms further agreed to comply with the following undertakings: the Respondent Firms will each conduct a comprehensive review of their systems and procedures for the capture, retention and review of email to determine that those systems and procedures are reasonably designed to achieve compliance with the recordkeeping and supervisory requirements of FINRA rules and the federal securities laws.

8) New Jersey Bureau of Securities ("Bureau") alleges that the Voya Financial Advisors, Inc. ("Firm") failed to follow its procedures, or that its procedures were inadequate, with respect to detecting prior undisclosed employment disciplinary issues, customer fund disbursement procedures, and trade review procedures. Without admitting or denying the Bureau's findings of fact and conclusions of law, the Firm entered into a consent order with the Bureau pursuant to which the Firm agreed to cease and desist from future violations of New Jersey Uniform Securities Laws and to the payment of a \$50,000 civil monetary penalty with \$30,000 of this amount suspended based upon the Firm voluntarily and on its own initiative: 1. Promptly terminating the two subject registered representatives upon discovering their misconduct, and placing their supervisor on suspension; 2. Promptly paying restitution to certain affected customers, and; 3. Revising its supervisory procedures with respect to authorization of third party checks. The remaining civil monetary penalty in the amount of \$20,000 is due and payable within 10 days of the entry of the consent order. This matter was resolved on December 13, 2011.

9) VFA entered into a Consent Order with the New Jersey Bureau of Securities on December 13, 2011 that it failed to follow its procedures, or that its procedures were inadequate, with respect to detecting prior undisclosed employment disciplinary issues, customer fund disbursement procedures, and trade review procedures. As a result of this New Jersey matter, the Minnesota Department of Commerce stated that such conduct in New Jersey would be a violation of Minnesota Statutes 80A.67 (d)(9) and subject to disciplinary action. The Firm agreed to resolve this matter with the Minnesota Department of Commerce by payment of a \$5,000 civil penalty and acknowledgment of the findings of fact and conclusions of law as set forth in the Consent Order issued by the New Jersey Bureau of Securities. This matter was resolved on April 18, 2012.

10) The State of Nevada Securities Division alleged that a designated supervisor of the firm failed to take action over a period of time to ensure that a registered representative under his supervision submitted correspondence logs for review. The Division alleged a violation of firm policy and unspecified FINRA rules and state law. Without admitting or denying the Division's

findings and conclusions, VFA entered into an administrative consent order with the Division requiring payment of a \$3,000 civil penalty and an inspection fee in the amount of \$1,000. This matter was resolved on April 7, 2010.

11) The State of Illinois Securities Department alleged that two former VFA registered representatives procured funds from certain investors by telling such investors that they would invest such funds in so called guaranteed investment contracts and other instruments and so called mutual bond trusts or other instruments when in fact neither representative made such investments but rather converted investors' funds to their own use and benefit. The Department also alleged the firm did not engage in oversight that uncovered the representatives' misconduct. Without admitting the Department's findings and conclusions VFA entered into a consent order with the Department requiring the firm to pay \$110,000 to the Secretary of State and Securities Investor Education Fund and, pursuant to the agreement, VFA made settlement offers to certain former customers of the representatives in the amount of \$336,788.22. This matter was resolved on September 12, 2008.

12) The State of Utah Securities Division alleged that an VFA registered representative conducted several seminars in April 2006 that utilized unapproved materials and included misrepresentations and omissions of material facts relating to variable annuities. The Division also alleged that VFA failed to supervise the representative in connection with the seminars and associated materials and the representative's business entity held itself out as an unlicensed investment adviser. Without admitting or denying the Division's findings and conclusions, VFA entered into a stipulation and consent order with the Division requiring the firm to pay a fine of \$75,000 within 30 days of the entry of the order and to comply with certain undertakings related to its representatives conducting seminars in Utah and to its sale of variable annuities in Utah. This matter was resolved on March 12, 2008.

13) The Commonwealth of Massachusetts Securities Division alleged that during the period of at least December 1, 2004 through September 22, 2006, an VFA registered representative defrauded investors in the Eastern Massachusetts Greek community by inducing those investors to transfer funds to him under the auspices of high interest rate loans, when in fact the registered representative converted those funds to his own use and benefit. The Division also alleged that VFA failed to reasonably and properly supervise the representative. VFA consented to cease and desist from further violations of the Massachusetts Uniform Securities Act, a censure, a \$100,000 administrative fine, agreed to provide the Division an accounting of all VFA customers known by VFA to have provided money to the representative and agreed to an order to pay restitution to customers. This matter was resolved on October 22, 2007.

14) NASD alleged that from December 1, 2005 through January 21, 2006 VFA failed to promptly forward checks submitted with direct way business to issuers or to return checks to customers. Therefore, VFA did not comply with the requirements of the exemption set forth in SEC Rule 15C3-3(K)(2)(II). Thus, VFA became fully subject to the requirements of SEC Rule 15C3-3. Because VFA was operating under an exemption to SEC Rule 15C3-3, it did not meet all of the requirements of the Rule, including the requirement to maintain a special reserve account for the exclusive benefit of customers pursuant to SEC Rule 15C3-3(E). Without admitting or denying the allegations, VFA entered into an Acceptance, Waiver and Consent with the NASD, consenting to the imposition of a \$10,000 fine and censure. This matter was resolved on April 27, 2007.

## **Other Financial Industry Activities and Affiliations**

VFA is indirectly owned by Voya Financial, Inc., and is under common control with the following

insurance companies: Security Life of Denver Insurance Company, Voya Retirement Insurance and Annuity Company, Voya Insurance and Annuity Company, ReliaStar Life Insurance Company and ReliaStar Life Insurance Company of New York. Additionally, VFA is under common control with various other Voya broker/dealers that may conduct business similar to VFA.

In addition to being a registered investment adviser, VFA is registered as a FINRA member broker-dealer. A list of affiliated broker-dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

IARs of VFA are separately licensed as registered representatives of VFA and may be independent insurance agents appointed with various insurance companies. As such, IARs are able to receive separate, yet customary, commission compensation resulting from implementing (non-investment advisory) brokerage and insurance product transactions on behalf of investment advisory clients.

Firm policies make certain financial products available only through a commission-based transaction, in which the IAR receives commissions in his or her role as a registered representative. Purchasing such products through the Firm in its role as broker-dealer will result in the client receiving less shares for the same purchase price than the customer would receive if purchased in an investment advisory account. Since offering such financial products only in the Firm's capacity as a broker-dealer creates a conflict of interest, the Firm has an obligation to notify clients of, and to obtain informed consent for recommendations of these financial products at the time of sale.

## **Custodian**

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through Pershing as a condition for participation in IC UMA Program. Pershing is an unaffiliated, FINRA broker-dealer and VFA's clearing firm and custodian.

Pursuant to an agreement with Pershing, Pershing reimburses the Firm for transition fees incurred in moving new customer assets to the Pershing platform. Additionally, pursuant to its agreement with Pershing, the Firm is credited \$5.00 of each annual maintenance fee as revenue sharing for Individual Retirement Accounts (IRA) held on the Pershing platform. This reimbursement and credit creates a conflict of interest as it incentivizes the Firm to custody assets, including IRA accounts, on the Pershing platform as opposed to another custodian that neither reimburses the Firm for transition fees nor credits the Firm a portion of the annual IRA maintenance fee.

Through an agreement with Pershing, VFA is paid a percentage fee by Pershing on all assets (mutual funds, exchange traded funds, equities, bonds and other assets) above a certain threshold custodied at Pershing by VFA customers. VFA receives this percentage fee payment from Pershing in addition to any payments it may receive on such assets from its strategic partner firms described above. In addition, Pershing pays VFA a per account fee for each customer account of VFA held at Pershing. These payments creates a conflict of interest between VFA and its customers, as these payments provide VFA with an incentive to recommend investing through Pershing as opposed to another investment program that does not provide VFA with such fees.



## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

VFA has adopted a Code of Ethics which sets forth high ethical standards of business conduct required of our employees and IARs, including compliance with applicable federal securities laws. A copy of VFA's Code of Ethics is available to advisory clients and prospective clients. A copy may be requested by email sent to [voyafacompliance@voya.com](mailto:voyafacompliance@voya.com), or by calling 800-356-2906.

VFA's Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of VFA's employees and IARs will not interfere with (i) making decisions in the best interests of investment advisory clients, and (ii) implementing such decisions while, at the same time, allowing employees and IARs to invest for their own accounts. VFA's Code of Ethics requires the review of quarterly securities transactions reports of its IARs, including initial and annual securities holdings reports. These reports must be submitted to VFA by IARs quarterly and annually. IARs may buy or sell for their personal accounts securities identical to or different from those recommended to clients.

VFA's Code of Ethics includes the firm's policy prohibiting the use of material non-public information. All registered representatives, employees and IARs are reminded that such non-public information may not be used in a personal or professional capacity. Among other things, VFA's Code of Ethics requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering ("IPO"). The Code also provides for oversight, enforcement and record keeping provisions. VFA and its IARs may buy securities for the firm or for themselves from VFA investment advisory clients, or sell securities owned by the firm or the individual(s) to investment advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to investment advisory clients.

VFA may, at times, effect an agency cross transaction for an investment advisory client, provided that the transaction is consistent with the firm's fiduciary obligation to the client and that all requirements are met. An agency cross transaction is a transaction where VFA acts as an investment adviser in relation to a transaction in which VFA or any person controlled by or under common control with VFA, acts as broker for both the investment advisory client and for another person on the other side of the transaction.

Client funds may be invested in shares of mutual funds for which an affiliate of VFA serves as an investment adviser ("affiliated Funds"). The affiliate will receive a management fee, outlined in the prospectus, from the affiliated Fund. Assets invested in affiliated Funds are included in the asset-based fee charged to the client. In addition, IARs are required to report all personal securities transactions conducted in affiliated Funds.

VFA and its IARs may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client. It is the expressed policy of VFA that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As previously disclosed, IARs are separately registered as securities representatives of VFA, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to

the preceding section for a detailed explanation of these relationships and important conflict of interest disclosures.

### **Review of Accounts**

Client accounts are reviewed by the IAR at least quarterly. More frequent reviews may be conducted in the event of changes in management style or fund closures. Account reviews are conducted by IARs and by designated investment advisory supervisors. We also review the investment results of client portfolios on a regular basis and, where appropriate, we may change or recommend a change in a Strategist for the client's account.

At least annually, IARs contact the client to review performance, changes in the client's net worth, income, goals and investment objectives and to determine if there are material changes to the client's financial condition. However, should there be material change in the client's personal and/or financial situation, we should be notified immediately to determine whether revision of the client's investment profile is warranted.

Reports: Clients have access to monthly statements (when trading activity occurs) and confirmations of transactions from Pershing and also have access to quarterly statements and quarterly performance reports summarizing account performance, balances and holdings to clients in the IC UMA Program.

### **Client Referrals and Other Compensation**

VFA and its IARs are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that IARs recommend. All incentive awards are pre-approved by VFA and are based on total production for all products and services. While VFA and its IARs endeavor at all times to put the interests of our clients first as part of our fiduciary obligation, the possibility of receiving incentive awards creates a conflict of interest.

### **Financial Information**

As an advisory firm that maintains discretionary authority for client accounts we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. To the best of VFA's knowledge and belief, VFA has no financial circumstance that is reasonably likely to materially adversely affect our ability to provide investment advisory services to our clients, and has not been the subject of a bankruptcy proceeding.