



Charles Schwab expects charge of least \$200 million in second quarter as SEC probes **robo-advisory business**

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Justin Sullivan/Getty ImagesCharles Schwab Corp. shares slid 1.7% Friday, after the brokerage and wealth-management company said it expects to book a charge of at least \$200 million in the second quarter relating to a Securities and Exchange Commission investigation of its robo-advisory business.

In [a regulatory filing](#), Schwab SCHW said, without offering further details, that the probe arose from a compliance examination and largely relates to the Schwab Intelligent Portfolios digital advisory business. The charge may be higher, depending on the outcome of the investigation. Robo advisers provide automated, software-based portfolio-management services and have become popular with savers and investors in recent years.

"The company has been cooperating with SEC staff in the investigation and is evaluating its options," said the filing. A Schwab spokesperson declined to comment beyond the filing.

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The Schwab Intelligent Portfolios division served almost \$64 billion in client assets as of March 31, up 51% from a year earlier. Schwab also has a Schwab Intelligent Portfolios Premium product, which includes unlimited guidance from a certified financial planner for a monthly fee, and an Institutional Intelligent Portfolios product that is used by registered investment advisers.

The SEC [settled its first cases over robo advisers in December of 2018](#), charging two advisers, Wealthfront Advisers LLC and Hedgeable Inc., for making false statements about investment products and publishing misleading advertising messages.

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Wealthfront made false statements about a tax-loss harvesting strategy offered to clients and also improperly retweeted 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 securities laws, the SEC's complaint said.

Hedgeable Inc., a robo adviser that had approximately \$81 million in client assets under management at the time, made a series of misleading statements about its investment performance from 2016 until April 2017, when it posted misleading comparisons of the investment performance of Hedgeable's clients with those of two robo-adviser competitors on its website and social media.

In case you missed it: [Schwab's plan to offer fractional shares starting in June is a shot across the bow at Robinhood, Stash](#)

Neither firm admitted to or denied the allegations. Wealthfront was fined \$250,000, and Hedgeable was fined \$80,000.

Schwab shares have gained 36% to date in 2021, while the S&P 500 SPX has gained 15.7%.

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