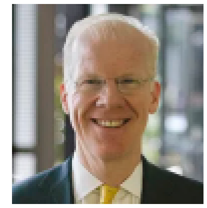
RIABiz News, Vision & Voice for the Advisory Community

# Charles Schwab Corp. to pay up to $200 million in federal regulatory charges, following SEC robo-advice probe; may be tied to discrepancies between how it collected revenues internally and how advertising implied no advisory fee.

The $7.4 trillion in administered assets Westlake, Texas broker-dealer came late to the robo business, but quickly dominated. That move fast, break things blitz may now produce a hangover.

**July 2, 2021 — 8:23 PM by Oisin Breen**

0 Comments



Peter Crawford signed Schwab's latest 8-K filing, which states that 'Schwab's second quarter 2021 financial results will include a liability and related non-deductible charge of $200 million.'

Charles Schwab Corp. has disclosed it may have to pay $200 million in federal regulatory charges over its robo-advisor that some industry observers link to the way it collected fees from its clients while its advertising emphasized the robo was free.

The Westlake, Tex., brokerage giant declined to comment on why SEC is set to levy an eight-figure charge, or when the investigation into Schwab Intelligent Portfolios (SIP) began.

Instead, Schwab referred all queries to statements made in its Form 8-K, filed Thursday (July 1).

"Given the investigation's status, Schwab's second quarter 2021 financial results will include a liability and related non-deductible charge of $200 million," states the filing, signed by chief financial officer Peter Crawford.

"The company has been responding to an investigation by the U.S. Securities and Exchange Commission (SEC) arising from a compliance examination. The investigation largely concerns historic disclosures related to the digital advisory solution," it continues.

The Schwab disclosure came right after Financial Industry Regulatory Authority (FINRA) moved to fine Robinhood $57 million for poor oversight, misleading its clients, and a failure to judge client suitability when it comes to options trading.

FINRA also instructed the Menlo Park, Calif., discount brokerage to pay an estimated $12.6 million to aggrieved clients.

Ari Sonneberg: For $200 million ... it must have been something that the SEC perceives as egregious.

## Handled proactively

The SEC came out swinging against Schwab, by tripling the total sum FINRA charged Robinhood (Jun. 30), according to Ari Sonneberg, partner and chief marketing officer for the Wagner Law Group in Boston.

"For $200 million ... it must have been something that the SEC perceives as egregious," he says, via email.

"We should probably reserve judgement until we have more details, and I'm guessing that number will ultimately go down; by how much remains to be seen," he adds.

Schwab has yet to decide its response to the SEC's decision, but mirrored Sonnenberg's view that the final sum levied by the SEC may change, according to its 8-K filings.