# Welcome!

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Readiness. Knowledge. Network.

# FinTech: Navigating Regulations and Risks in Financial Counseling

# FinTech: Navigating Regulations and Risks in Financial Counseling


## Event Materials

Visit the **event page** to download a copy of the presentation slides and any additional resources.

## Continuing Education

This webinar has been approved to offer continuing education credit. Please stay tuned for more information!

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This material is based upon work supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, and the Office of Military Family Readiness Policy, U.S. Department of Defense under Award Number 2023-48770-41333.

# Today’s Presenters

**Tom Manganello**
Senior Counsel
Office of Investor Education and Assistance (OIEA)
Securities and Exchange Commission (SEC)

**Jill Felker**
Senior Counsel
Office of Investor Education and Assistance (OIEA)
Securities and Exchange Commission (SEC)

# Learning Objectives

1. Understand the role of the Securities and Exchange Commission (SEC) in the financial technology (FinTech) ecosystem, including robo-advisors, cryptocurrency, and online investment platforms.
2. Identify investor protection rules, anti-fraud provisions, and disclosure requirements.
3. Evaluate the advantages and potential risks associated with FinTech solutions for clients, including fraud concerns, cybersecurity threats, and data privacy concerns.
4. Create a checklist of considerations when working with clients on FinTech investments.

U.S. Securities and Exchange Commission

Investor.gov

# Fintech: Navigating Regulations and Risks in Financial Counseling

The SEC's Office of Investor Education and Assistance is providing this information as a service to investors. This presentation is not a statement of official SEC policy, a legal interpretation, or investment advice.

**Tom Manganello and Jill Felker**

**Outreach@SEC.gov**

Before You Invest, Investor.gov

# The SEC & FinTech Oversight

# About the SEC

- Established on June 6, 1934
- Founded to help our country respond to the Great Depression
- We have a three-part mission
    - **Protect investors** from misconduct
    - **Promote fairness & efficiency** in the securities markets
    - **Facilitate capital formation** for those looking to hire, innovate & grow

# Creation of the SEC

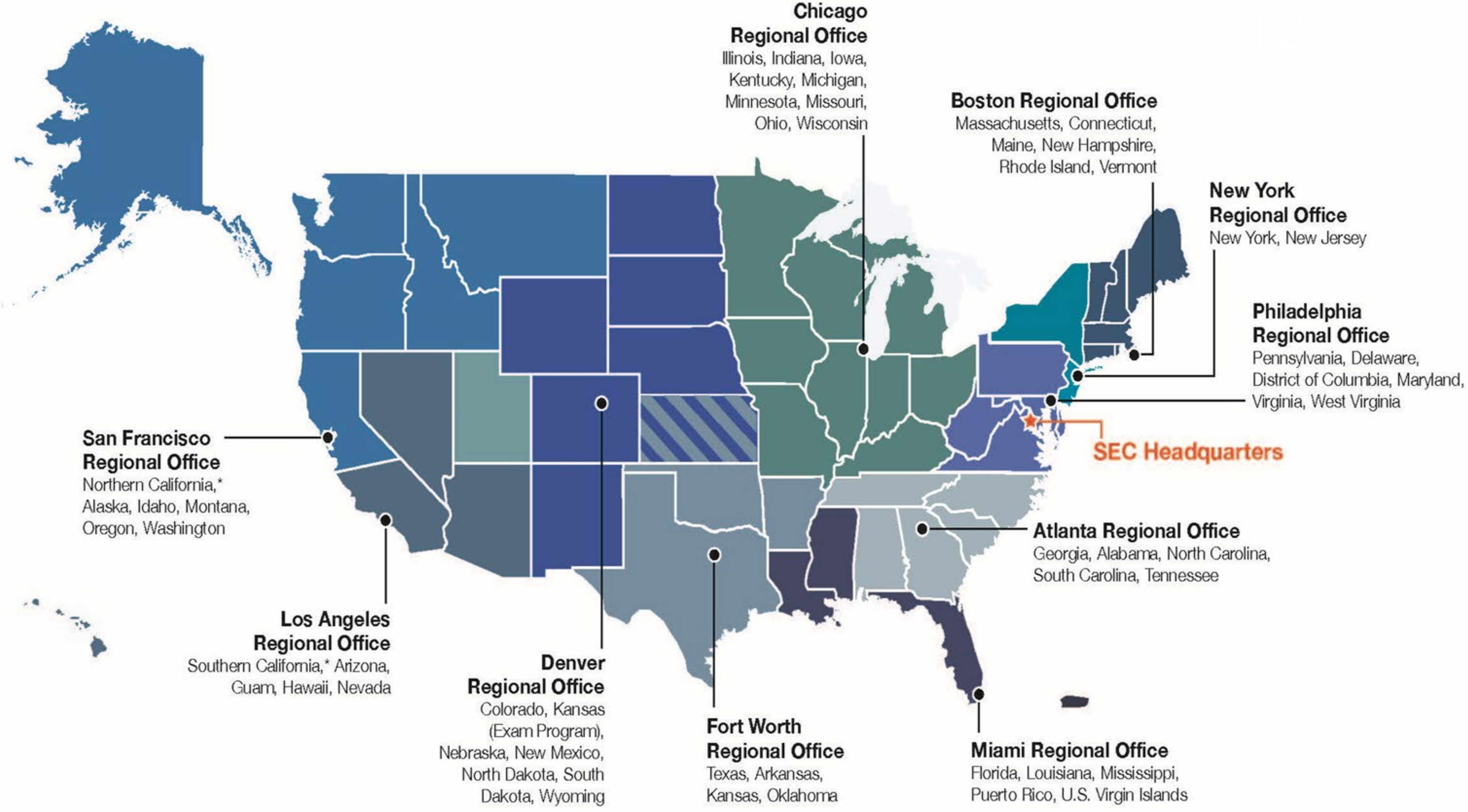
- Congress created the SEC in 1934 to restore investor confidence in the capital markets following the crash of 1929 and the Great Depression
- The SEC regulates the securities industry
- Securities laws require disclosure of important information so investors can make informed decisions


CITY EDITION
London Herald
LATE PRICES
WALL STREET CRASH!
Black Thursday in America

# SEC Regulation

- Investment Professionals (Investment advisers and broker-dealers)
- Securities (Including stocks, bonds, mutual funds, exchange traded funds (ETFs), exchange traded products (ETPs))

# TEN REGIONAL OFFICES




* Northern California includes ZIP codes 93600 and above, and 93200–93299;
Southern California includes ZIP codes 93599 and below, except 93200–93299

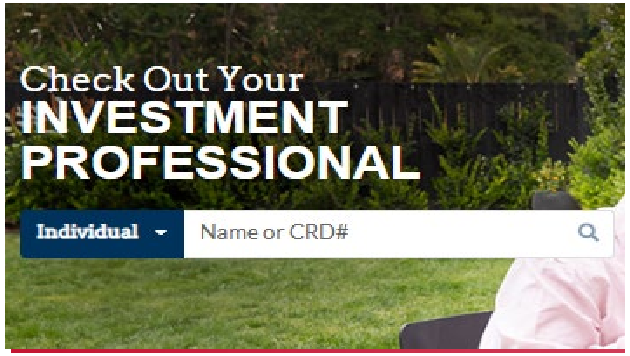
U.S. Securities and Exchange Commission

# Office of Investor Education and Advocacy

OIEA works to protect investors by providing information and tools to help them make sound investment decisions through:

- Assisting investors with complaints and questions about their investments or investment professionals: **help.sec.gov**
- Educational outreach to investors: **Outreach@SEC.gov**
- **Investor.gov** — educational website with tools and resources to help investors build wealth and avoid scams

# Investor Education Tools & Resources

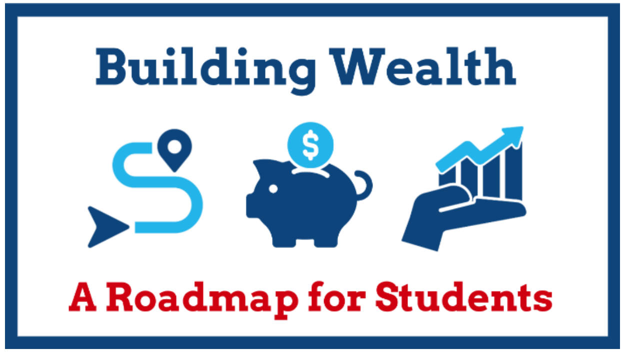
















Scan to visit
https://www.investor.gov/additional-resources/information/military

# Investor.gov/Military

## Military

This page is for service members and their families. The information below can help you make informed saving and investing decisions and avoid common scams. You can also learn how SEC staff can help service members at your installation.


### Getting Started

You can build wealth by saving and investing over a long period of time. The earlier you start, the easier it is for your money to work for you through compounding.

Learn More About Getting Started ›

### Investing During Your Service

One of the best ways to begin building wealth during your service is to take advantage of the TSP. The fees are low, there are tax benefits, you get matching money if you are under the BRS, and you can take it with you when you leave the military.

### Protecting Your Money

Be on the lookout for investment fraud. Make sure any investment professional you use is registered, and don't fall for scams promising high interest or no risk.

Learn More About Protecting Your Money ›

SEC Office of Investor Education and Advocacy — Before You Invest, Investor.gov

## Military: Build Wealth Over Time Through Saving and Investing

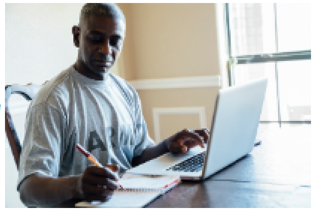
You can improve your chances to achieve financial security by controlling credit card debt, having an emergency fund, and setting aside a portion of each paycheck to invest in long-term goals, including retirement. Here are tips to build wealth through saving and investing while you serve in the military and beyond.

1 **Be smart about credit card debt.** Credit cards charge high interest rates if you can't pay off your balance at the end of the month. That interest increases the price you pay for the items you buy and may stretch your debt over many years. Pay down any credit card debt and try to live within your means.

2 **Leave room to save and invest.** Get a handle on your monthly expenses. Understanding the income you have coming in and the bills you owe every month will empower you to build a budget that ensures you have room to save and invest for the future.

PRO TIP: Don't overspend on a car. A $40,000 car can come with a car payment over $800 per month. That loan can limit your ability to achieve other important financial goals, like saving, investing, paying off debt, or having extra spending money.

## Making the Most of Your Lump Sum Payment



*Have you received a large lump sum payment or financial windfall? A lump sum payment can come in the form of a bonus from your job, an insurance claim or settlement, a tax refund, an inheritance, or even military benefits or Native American tribal payments. Lump sum payments can provide a long-term boost to your financial situation if you take steps to reduce debt and to bolster savings and investments. To make the most of a lump sum payment, consider these tips.*

**Pay Off High-Interest Debt**

Paying down high-interest debt, like credit cards or payday loans, is one of the best "investments" you can make because the interest rate you pay is usually significantly more than the return you're likely to receive from an investment. One strategy is to pay off the highest interest rate cards first and work your way down.

**Start an Emergency Fund**

An important step to begin building wealth is to have a "rainy day fund" for unexpected expenses. Having an emergency fund with a bank or credit union can make it less likely that you'll go into debt if, for example, your car needs a repair or your phone screen cracks. An emergency fund will give you a cushion of financial protection against the unexpected.

**Begin Making Regular Contributions to an Investment**

Money in the bank is useful to pay bills and serve as an emergency fund, but investments usually give you a better opportunity for growth over time.

SEC

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# Investor Protection and Rules

# Investment Professionals

- Advisers and brokers must register with the SEC (or the states) and follow the laws related to standard of conduct, anti-fraud rules, and information disclosures, among others

# Standard of Conduct

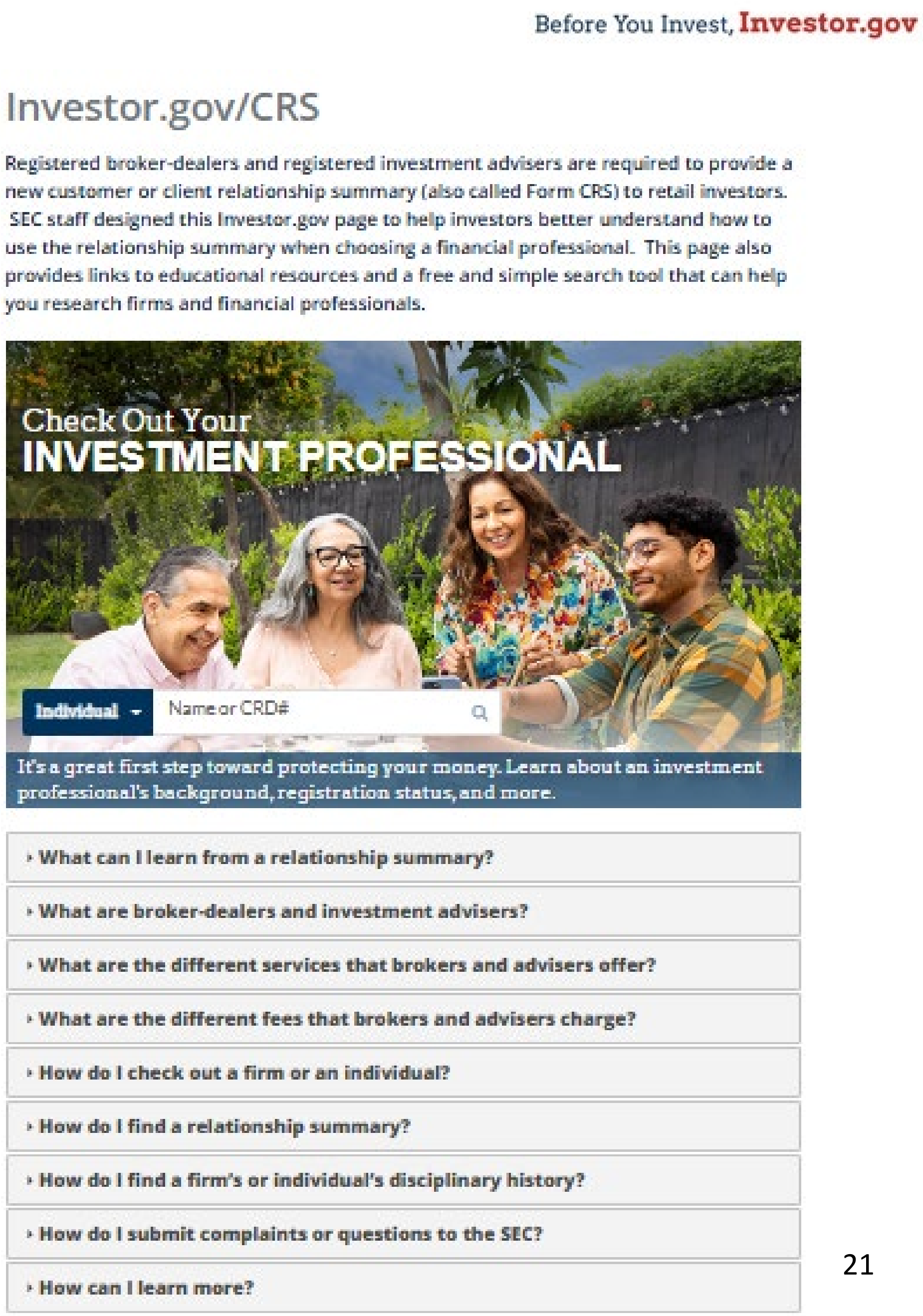
- Advisers and brokers generally must act in the best interest of the client or customer.

# Anti-Fraud Rules

- Market participants are subject to broad anti-fraud rules. These rules are designed to prevent deceptive practices in the securities industry.

# Information Disclosures

- Form CRS/ Relationship Summary (for advisers Form ADV Part 3)
- Apples-to-apples comparison
- Summary about types of services offered, fees and costs, conflicts of interest, standard of conduct, any legal or disciplinary history, and where clients can find more information (must be delivered to clients)
- Also includes key questions for clients (Conversation Starters)



# Online Platforms

- Banking/Credit Union Apps
- Lending Apps
- Payment Apps
- Wealth FinTech Apps
    - Personal Financial Apps
    - Registered Investment Platforms (brokers and advisers)

# Investment Advisory Platforms

- Initial assessment through online questionnaire: e.g., age, income, goals, risk tolerance, time horizon
- Automated portfolio recommendation
- Automated management – monitoring
- Differentiators: advisory fees, portfolio options, tax/loss harvesting, access to human professionals, retirement services, online support

# Online Investment Platforms

- Fees: “No transaction fees” may not mean no cost
- Options/Margin risks
- May offer low/no commission investing, just like traditional investment companies – other fees?
- Fractional shares may be offered (a quarter of a share of Netflix, for example)
- Range of products may be limited

# Advantages of a registered platform

- Subject to examinations and enforcement
- Recourse if you are defrauded
- SIPC insurance against insolvency
- You can check them out on Investor.gov

# Background Check



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# Investor.gov

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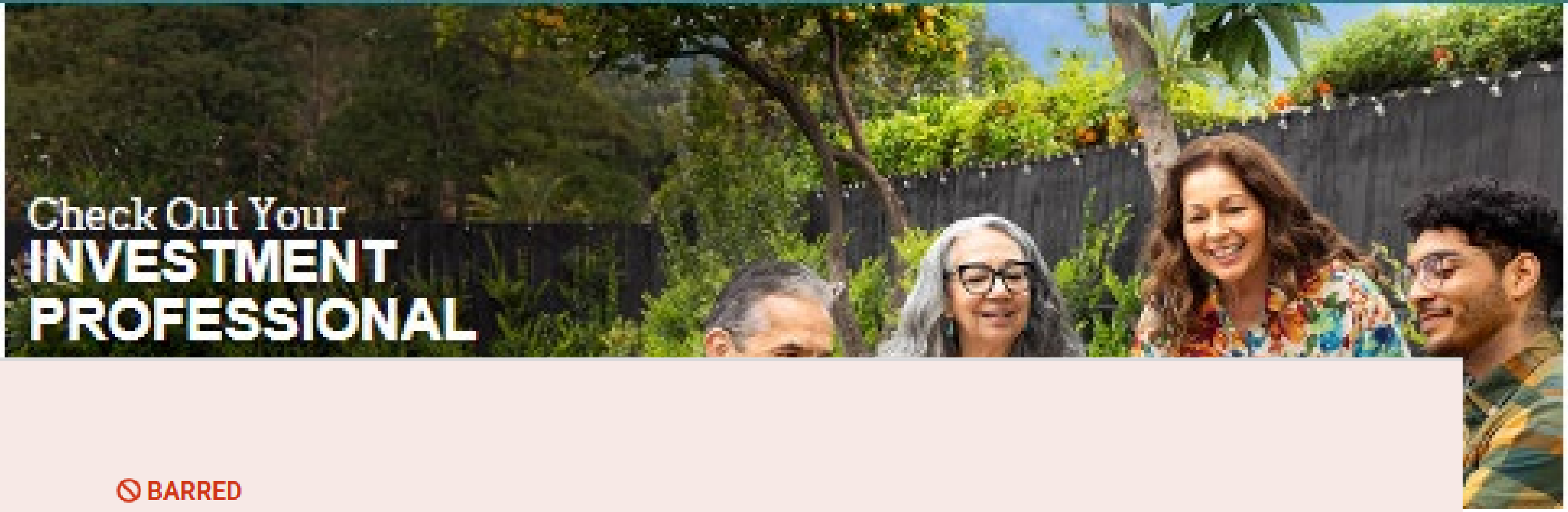
Introduction to Investing | Financial Tools & Calculators | Protect Your Investments | Additional Resources




**JORDAN ROSS BELFORT**

**CRD#: 1736122**

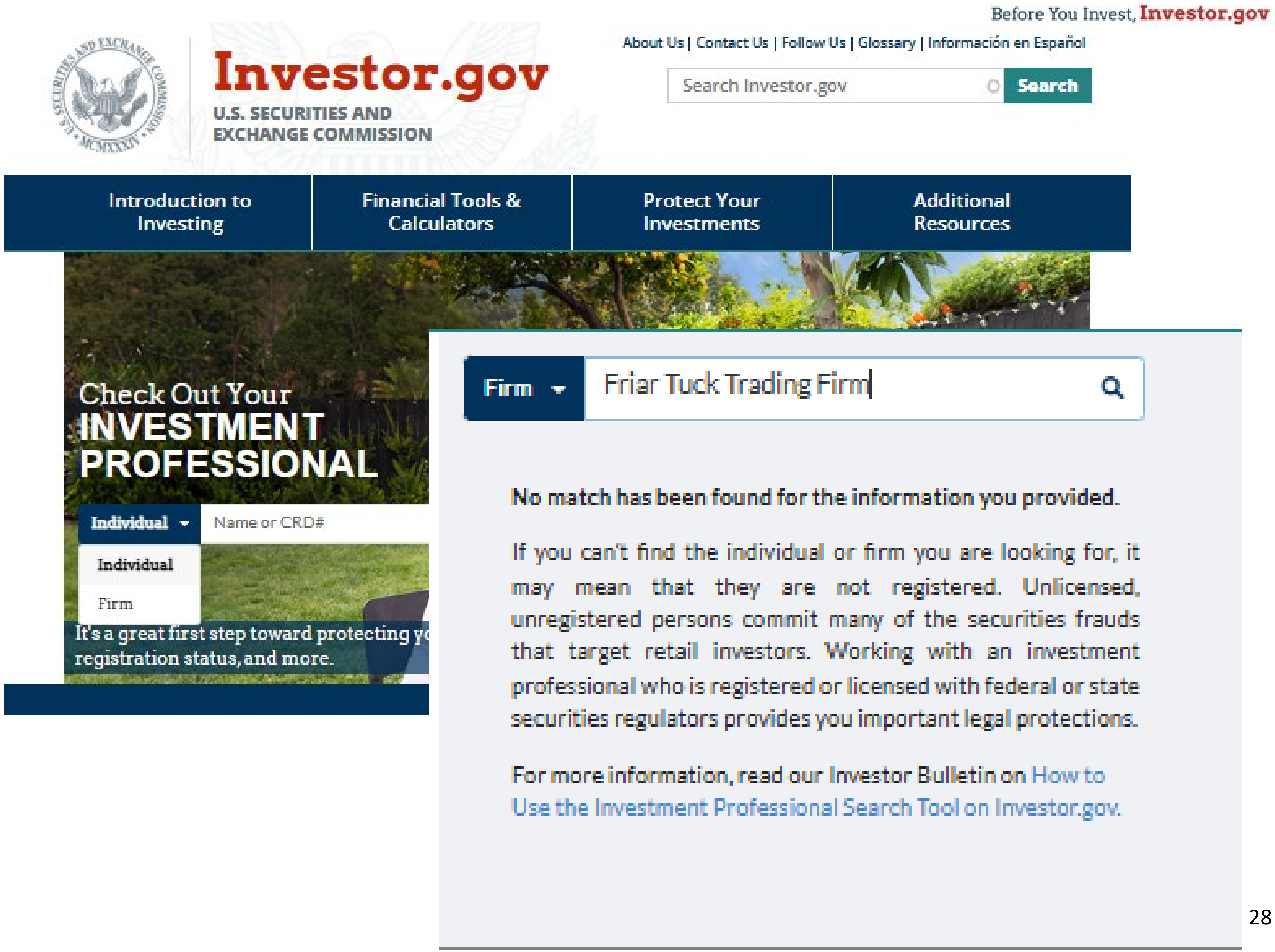
PR Previously Registered Broker

**BARRED**

The SEC has barred this individual from acting as a broker or investment adviser or otherwise associating with firms that sell securities or provide investment advice to the public.

! BrokerCheck contains very limited information for this broker. See Detailed Report for available information.

| >0 Legacy Disclosures | 6 Years of Experience | 6 Firms | 0 State Licenses<br>0 FINRA Registrations |
|---|---|---|---|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Financial Tools & Calculators
Protect Your Investments
Additional Resources
Check Out Your
INVESTMENT PROFESSIONAL
Individual
Name or CRD#
Individual
Firm
It's a great first step toward protecting y
registration status, and more.
Firm
Friar Tuck Trading Firm
No match has been found for the information you provided.
If you can't find the individual or firm you are looking for, it may mean that they are not registered. Unlicensed, unregistered persons commit many of the securities frauds that target retail investors. Working with an investment professional who is registered or licensed with federal or state securities regulators provides you important legal protections.
For more information, read our Investor Bulletin on How to Use the Investment Professional Search Tool on Investor.gov.

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# Weighing Risks and Rewards

# The Risk of Fraud

- Connecting on social media or text to gain trust
- Exploiting the hype around emerging technologies
- Impersonating trusted sources
- Pumping the price of crypto and then selling at your expense
- Demanding additional costs to withdraw from your account

# Sports Gambling Apps



- Research suggests money spent on online sports betting overwhelmingly comes from money that was previously spent on more stable, long-term investments like retirement accounts
  - Bettors spent, on average, $1,100 per year on online bets
  - Net investments fell by nearly 14%
  - For every $1 spent on betting, bettors put $2 fewer into investment accounts
  - Bettors are “looking for the big win at the expense of savings.”
    – Prof. Scott R. Baker (Northwestern University)
- Other gambling impacts: increased participation in lottery games, credit card debt, bank overdrafts, and bankruptcy filings


| | |
|---|---|
| R. Baker, Scott and Balthrop, Justin and Johnson, Mark J. and Kotter, Jason D. and Pisciotta, Kevin, *Gambling Away Stability: Sports Betting's Impact on Vulnerable Households* (June 30, 2024). https://ssrn.com/abstract=4881086 | B Hollenbeck, P. Larsen, D. Proserpio, *The Financial Consequences of Legalized Sports Gambling* (July 2024) **hollenbeck_sports_gambling.pdf** |

# Project Crypto



- SEC initiative "…to modernize the securities rules and regulations to enable America's financial markets to move on-chain."
- Propose clear and simple rules of the road for crypto asset distributions, custody, and trading
- Explore use of 'super-apps' to offer trading in broad range of products and services (including non-security crypto assets, crypto asset securities, traditional securities, and other services) on SEC-regulated platforms

SEC Chairman Paul Atkins 7/31/25

# Funds That Provide Exposure to Crypto Asset Itself

- Can gain exposure to crypto assets without having to hold crypto assets, without direct risks of personally transacting on a crypto asset trading platform, or using a crypto asset wallet and handling cryptographic keys
- ETP share price may deviate from price of crypto asset
- ETP fees come out of shares

# Classic Investment Scams That Use AI Potential to Lure Investors

- Individuals or public companies may use the promise of AI and emerging technologies to lure investors
- Bad actors love the latest trend for puffery or outright fraud
- Watch out for heavily promoted microcap stocks that may be the target of a pump-and-dump

# Scammers Using AI to Defraud Service Members

- AI makes it easy to clone voices, websites and even deep fake videos to impersonate real people, companies, entities
- Make sure communications actually come from the real company or government agency by cross-checking with known sites

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# Putting It Into Practice


# Five Minute Checklist for Clients Using Fintech

# Put Investments Into Context

***Checklist One***: Even if alternative investments will be part of your client's portfolio, make sure the tax-advantaged building blocks are covered too (TSP and IRA)

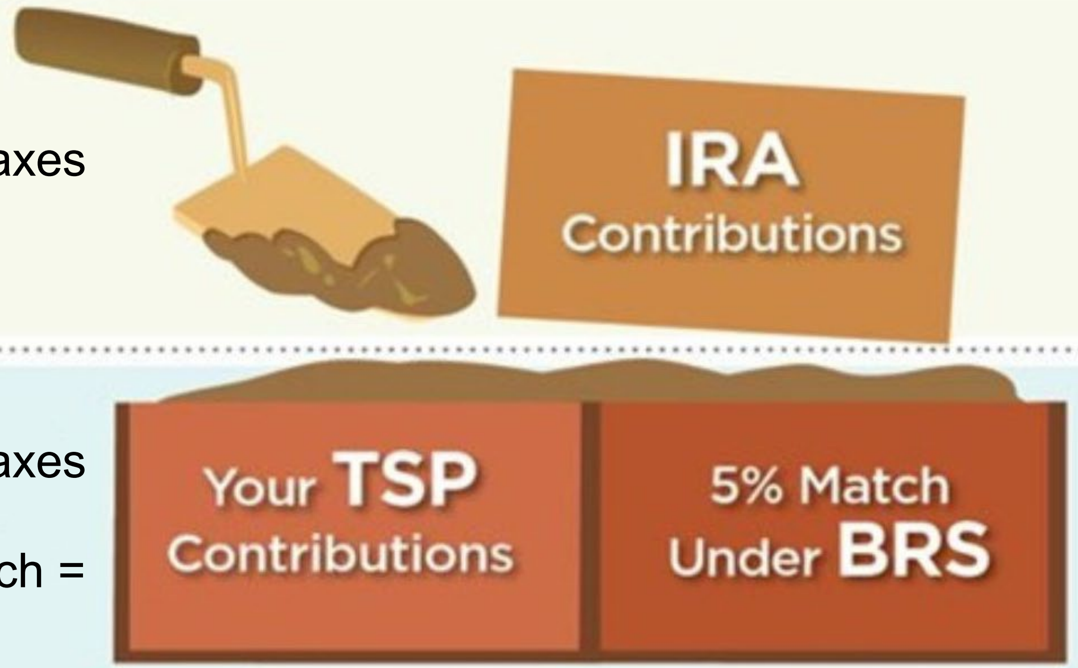
**Building Block$ of Investing**

**Advantages**

Lowers your taxes

Lowers your taxes

Employer match = FREE money!



# Stress that Diversification Can Lower the Risk of Investing

***Checklist Two***: Is your client diversified? Are their investments spread among different companies, sectors, asset classes?

- Why diversify? If a single company or sector loses value, exposure to other investments may limit their losses or post gains
- Broadly diversified, low fee mutual funds or ETFs, including the TSP and target date funds, are easy ways to achieve diversification

# Timing the Market or Trying to Pick Winners is Difficult and Expensive

***Checklist three***: Is your client day trading or using an investing app to pick stocks or time the market?

- A Library of Congress study showed that active traders are more likely to underperform the market.
- Frequent traders typically pay higher taxes than those who make long term "buy and hold" investments that also provide the benefit of dollar cost averaging

# The Difficulty in Timing the Market

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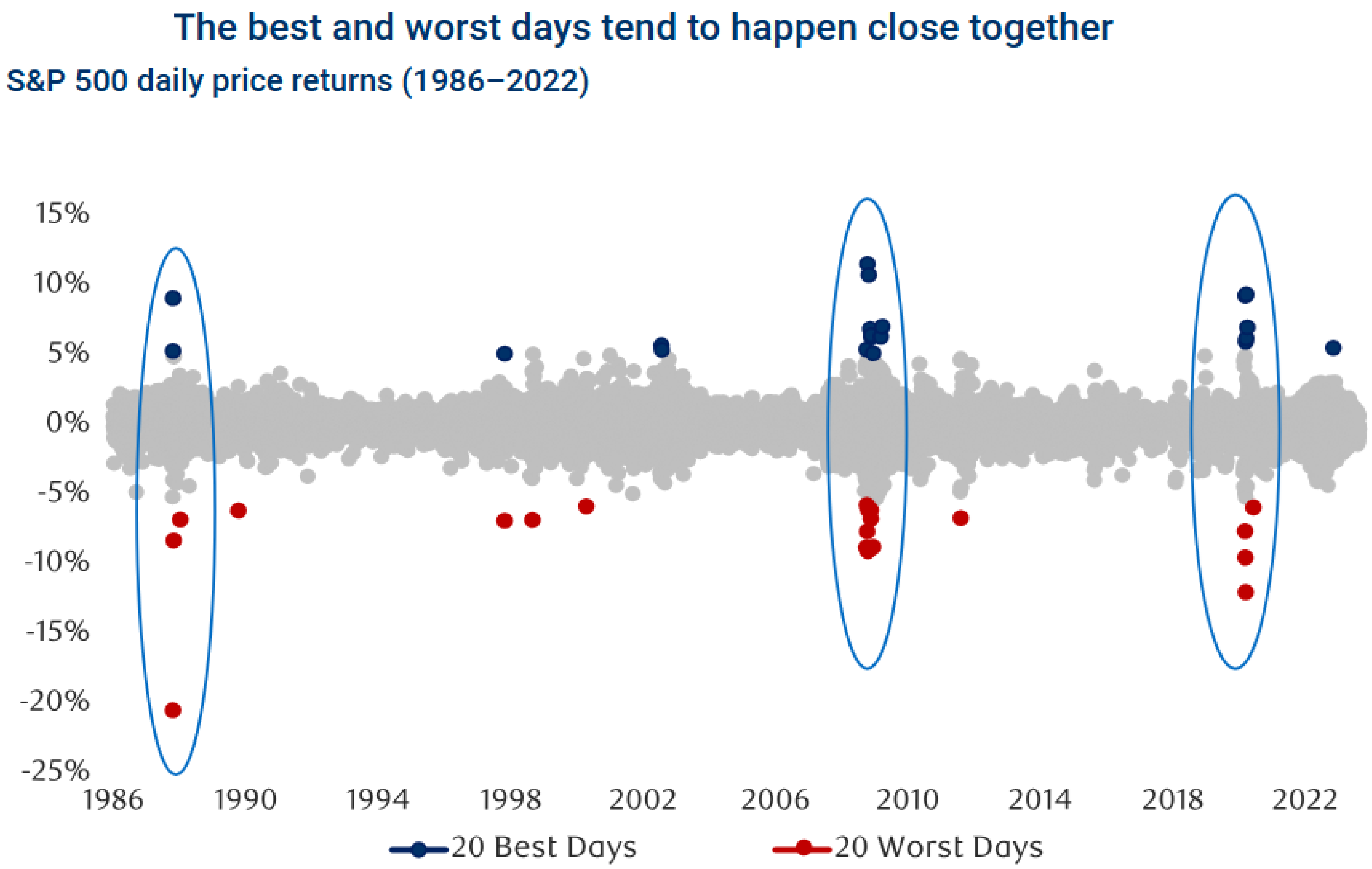
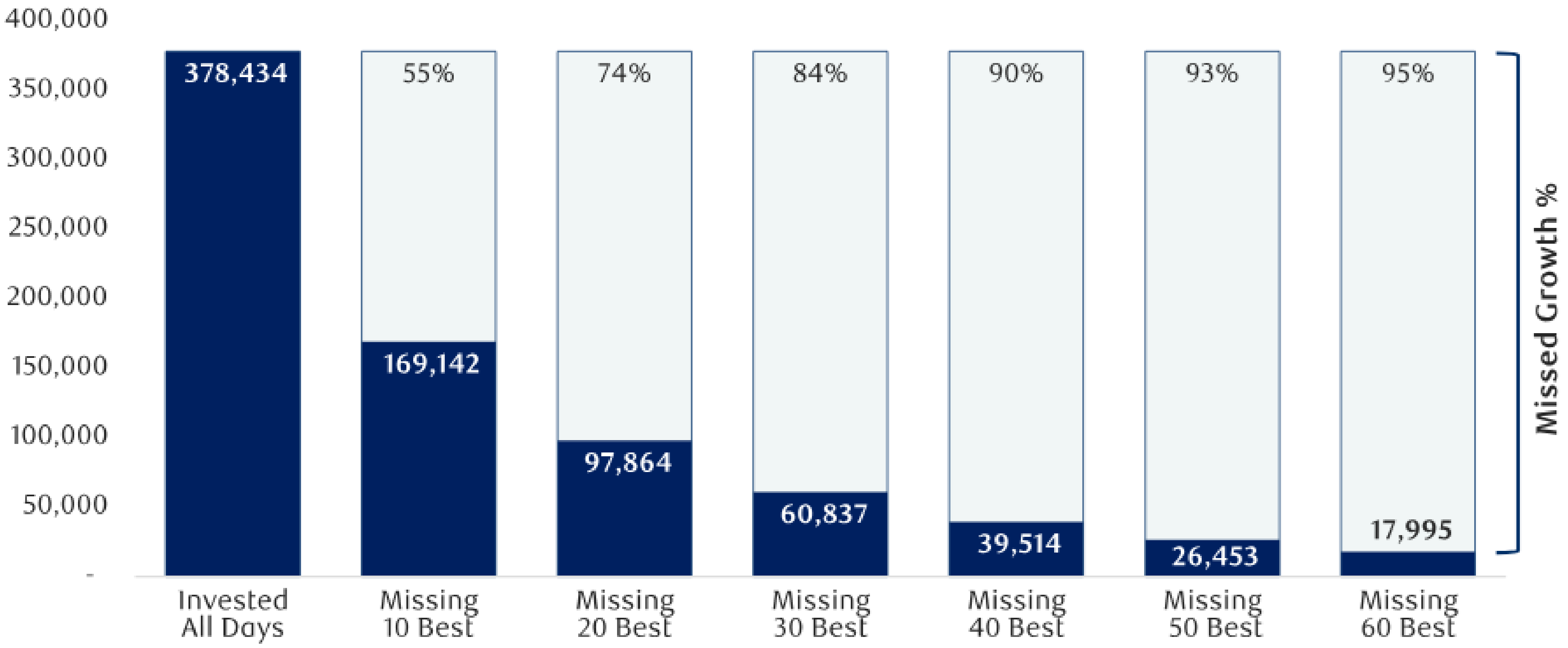


# The Impact of Missing Best Days



## Exhibit 3: Value of $10,000 invested in the S&P 500

(1973–2023)



# Investing Apps Checklist

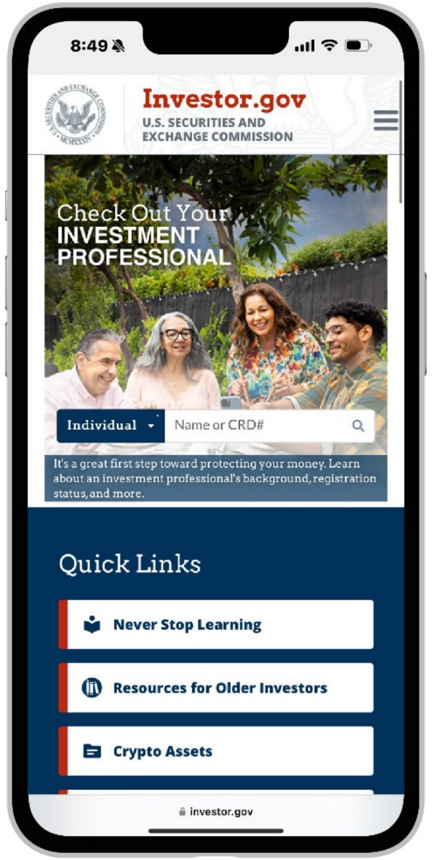
***Checklist four***: What app is your client using and how?

- Registered platforms have advantages
- Some investing apps incentivize long-term investing and financial management, and may offer low cost, diversified investment options (review these options)
- Make sure your clients understand any complex or high-risk products or strategies

# Checklist Five: Investment Professionals

Is your client getting investment advice? Use Investor.gov to do a background check:

- Are they licensed or registered with the SEC or state regulatory authority? (if not, red flag)
- Check their employment history and see if they have customer complaints or disciplinary history
- Urge caution if the advice is coming from chat rooms, social media or internet finfluencers or unqualified colleagues



# Checklist Six: Protect Online Investment Accounts From Fraud

- Pick strong passwords, keep them secure and change regularly – don't use the same one for different accounts
- Use multi-factor authentication
- Turn "on" account alerts
- Add biometric safeguard if possible
- Avoid using public computers/WiFi to access accounts
- Update devices regularly and check privacy settings
- Be careful clicking on links

# Checklist Seven:
# Investment scams are prevalent

Does your client know how to spot and avoid investment scams?

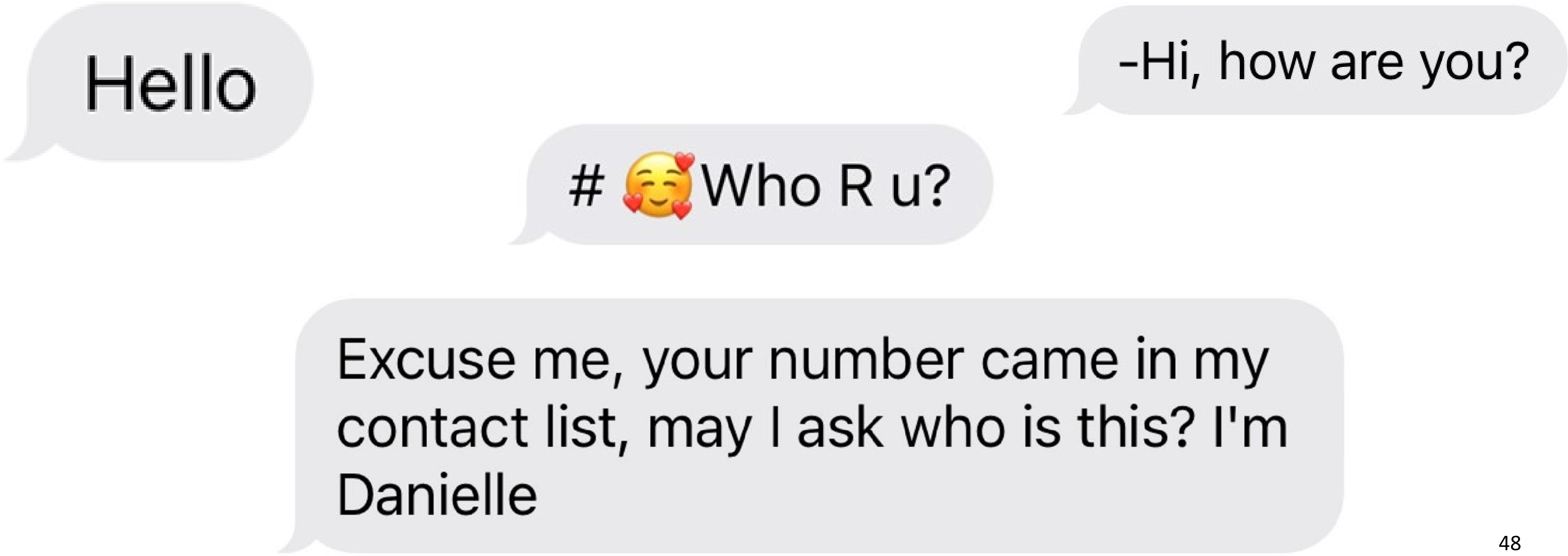
- Scams targeting the military or other groups
- Scams in social media/internet promotions
- Relationship scams

# Exploiting Trust Within Groups

- Some scammers use their membership in groups to target other members
- You may be more likely to trust someone who goes to your church, who served in your branch of the armed forces, or who belongs to your group or chat room
- ***Trust but verify*** - do a background check on any investment professional before you send money – even if they have something in common with you

# Relationship Investment Scams

- Long-term confidence scam that often starts with a wrong number text or a social media message



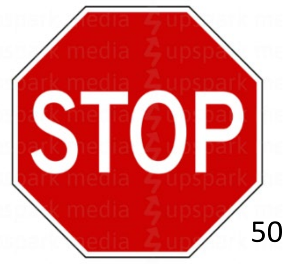
# Relationship Investment Scams (continued)



- Scammer attempts to build trust through friendship or romantic connection
- These scams involve a “long con,” where a relationship is built over time
- Eventually, the scammer will try to convince you to put money into phony investments or send money for a “crisis”
- After the scam is discovered, the fraud may not end – you may be approached with bogus offers by firms who will offer to recover your funds
- ***Delete, block, report!***

# Protect Yourself

- Ignore messages from senders you don’t know
- Make investment decisions independent of the advice of someone who contacts you online or through an app or text message – research investments thoroughly
- Don’t share financial or personal information with someone you don’t know
- Never pay money to recover your investment or make an upfront payment to release funds
- If you think you may be in a relationship scam, stop communicating immediately and don’t send more money



# Don’t Open the Door to Scammers Video


www.Investor.gov/relationshipscams

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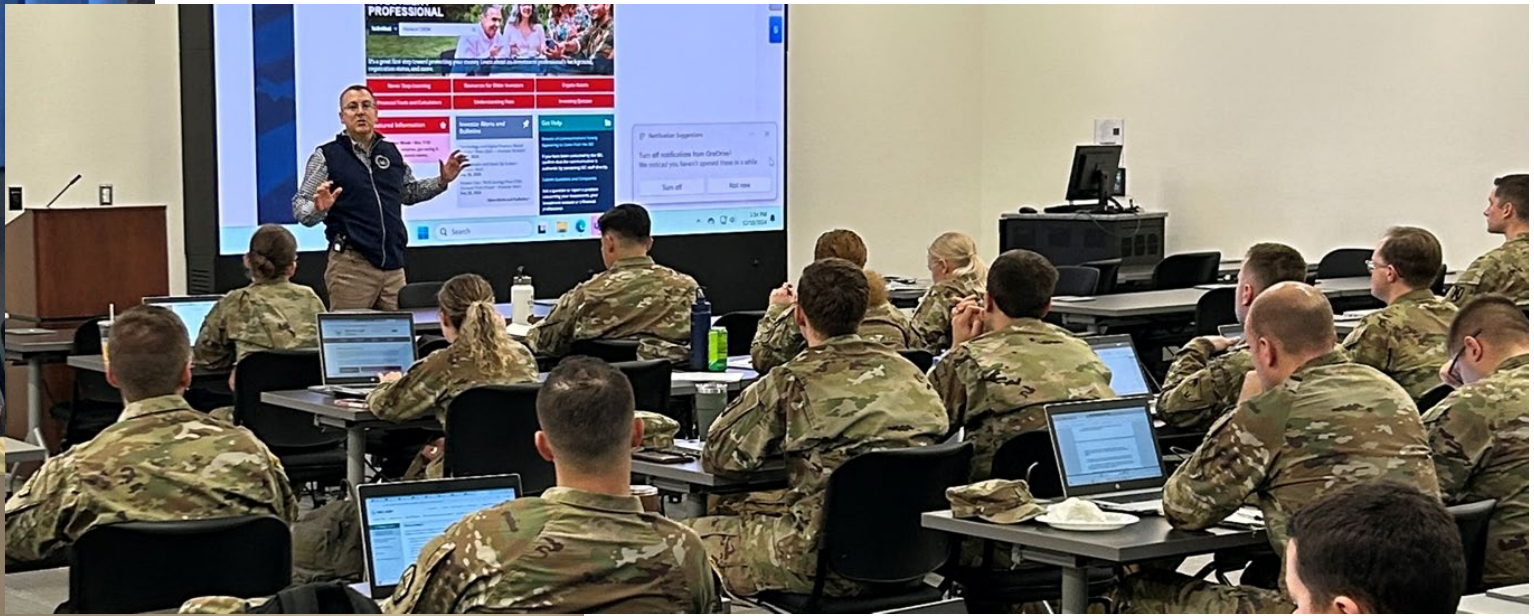
# Continue the Conversation

# Invite the SEC to Brief

- The SEC can present at your installation (in-person or virtually)
- Share this email with the PFM or official on your installation who can invite federal partners to brief: Outreach@SEC.gov
- Add this resource to your digital financial readiness library: www.Investor.gov/military

# In-person or virtual presentations





**Email: Outreach@SEC.gov**

# Presentation Topics

- **Build Wealth Over Time Through Saving and Investing** – junior military, DoD civilians, contractors
- **Build Wealth Throughout Your Military Career –** mid-career
- **Build Wealth Beyond Your Military Career --** transitioning
- **Protect Your Money: Red Flags of Fraud** – general audiences
- **Investing for Service Members: Challenges and Opportunities** – leadership, train the trainer for financial counselors
- **HoweyTrade Mock Investment Pitch** – general audiences

# Investor.gov Alerts

- How Victims of Securities Law Violations May Recover Money
- Identity Theft, Data Breaches and Your Investment Accounts
- Self-Directed IRAs and the Risk of Fraud
- Social Media and Stock Pick Scams
- Social Isolation and the Risk of Investment Fraud
- Artificial Intelligence (AI) and Investment Fraud

**Recent Alerts and Bulletins** More Alerts and Bulletins

**Target Date Funds – Investor Bulletin**
Mar 25, 2025

**Updated Investor Bulletin: Lost and Stolen Securities**
Mar 6, 2025

**Investor Alert: Be Vigilant for Possible Investment Scams Related to the California Wildfires**
Jan 14, 2025

# Investor.gov Information

- Form ADV Investor Bulletin
- Relationship Summaries/Form CRS/Form ADV Part 3 Investor Bulletin
- Conversation Starters page
- How to Use the Investment Professional Search Tool
- Robo-Adviser Investor Bulletin
- Subscription-based Advisory Fee Investor Bulletin

# Handouts – SEC Resources

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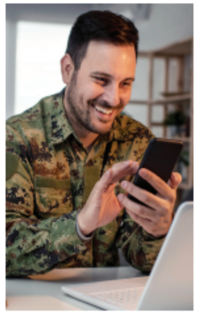
## **Military**: Build Wealth Over Time Through Saving and Investing



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## Protect Your Money: How to Avoid Investment Scams

New and developing technologies—from social media to mobile trading apps to artificial intelligence—increasingly influence how we invest. While these technologies can provide many benefits to investors, they also create opportunities for scammers. Here are some red flags of investment fraud to keep an eye out for:

- **Promises of High Investment Returns with Little or No Risk**
  Scammers often promise to help you get rich—with little or no risk. They can make an investment scam seem appealing with fancy websites, videos, or images of lavish lifestyles. But there's no such thing as high guaranteed investment returns, and every investment involves risk.

Pro tip: If an investment opportunity sounds too good to be true, it probably is.

- **Pressure to Act Now**
  Fraudsters may create a false sense of urgency to pressure you to invest. They may claim the deal is only available to a limited number of investors, or give you a short deadline to invest. They may claim to have inside information and tell you to act before others find out. Take your time to research before deciding to invest.

U.S. SECURITIES AND EXCHANGE COMMISSION

Email: Outreach@SEC.gov

# Questions?

# Financial Readiness Resources

Visit the FINRED at https://finred.usalearning.gov/ for original, reliable and up-to-date financial information you can count on.

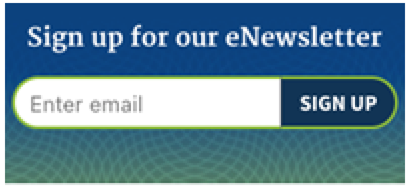
SCAN ME

**Use the Personal Financial Counselor Locator Map to find:**

- Free financial counselors both CONUS and OCONUS
- Financial literacy education, training, and resources

**Discover MilSpouse Money Mission resources including:**

- Money Ready curriculum
- MilLife Milestones
- Videos, blogs, and more

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MilSpouse Money Mission: https://www.milspousemoneymission.org

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# Upcoming Event


## 2025 Military Personal Finance Year in Review

**Thursday, January 8, 2026**

This session explores military-specific financial events, highlighting relevant research published in 2025, and anticipated changes in 2026.

**Continuing education credit will be available for this session!**

# Continuing Education

This webinar has been approved for 1.5 continuing education (CE) credits from the following organizations:

- American Association for Family and Consumer Sciences (CFCS & CPFFE)
- Association for Financial Counseling & Planning Education
- National Council on Family Relations
- The Center for Financial Certifications (FinCert.org)
- Certificate of attendance

## Evaluation Link

Go to the event page for the evaluation and post-test link.

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## Questions?

Email CE@OneOp.org

https://oneop.org/learn/160102/

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