New Financial Investment Rules May Aid Robo Advisers

By LIZ MOYERAPRIL 7, 2016

Washington's may give so-called robo advisers a leg up in the battle for investor dollars.

The new rules, announced on Wednesday, are expected to encourage a rush of retirement savings money to low-cost investments, something the robo advisers claim as their hallmark.

The rules may also hasten formal match-ups between traditional banks and brokerage firms and the financial technology firms that have built robo-investing platforms.

On Thursday, the robo-firm SigFig Wealth Management, which is based in San Francisco, will announce what it says will be its first agreement with a bank to offer its digital investment service to the bank's customers. The agreement, with the $3.2 billion Cambridge Savings Bank outside Boston, will make SigFig's robo-advice offering available to the bank's depositors through the Cambridge's online banking services.

SigFig's chief executive and one of its founders, Mike Sha, says the firm will have more agreements with even larger banks in the near future as it shifts its business strategy from bringing robo-advice directly to consumers to a model that works with other financial providers.

"I think it's part of a broader trend where banks are partnering more and more with fintech firms to create faster innovation," he said in an interview.

Earlier this week, the Detroit auto lender Ally Financial announced its plans to buy the online brokerage firm the TradeKing Group, which has built its own robo-advising operation.

In January, BBVA Compass, the American division of the Spanish banking giant, announced that it had brought on the robo-firm FutureAdvisor to offer its banking customers digital investing services. FutureAdvisor was acquired by the large asset manager BlackRock last year.

Robo-advisers use sophisticated technology and digital platforms that sort customers by their investment and risk preferences into baskets of low-cost exchange traded funds. Some, including SigFig, make advisers available online or by phone, while others are purely automated.

They are shaking up the wealth management industry with significantly lower account management fees, with the potential to draw in much larger groups of investors who don’t have enough money to qualify for high-end brokerage services.

As banks build up their wealth management divisions, many have talked about developing robo-advising businesses. Bank of America’s Merrill Lynch is expected to introduce an offering in the coming months, and executives from Morgan Stanley and Wells Fargo have talked about developing or acquiring the capability.

In a twist, last year, JPMorgan Chase said it would offer retail investors a chance to buy into initial public offerings of stock on which it acts as lead adviser through the digital brokerage firm Motif Investing, for as little as $250 an order. The way Wall Street typically works, access to a bank’s I.P.O. deals is restricted to the wealthiest or best customers.

Cambridge Savings Bank is calling its SigFig offering Connect Invest. It is available for bank customers with a minimum of $2,000 to invest.