



**YieldStreet Inc.**

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October 1, 2021

***VIA E-MAIL: RULE-COMMENTS@SEC.GOV***

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

*Re: File No. S7-10-21*

Dear Ms. Countryman:

We write in response the Commission's request for information and public comment on matters related to the use of digital engagement practices by broker-dealers and investment advisers (the “RFI”).

Yieldstreet is a digital wealth and alternative investing platform. Since its founding in 2015, Yieldstreet has been on a mission to enable millions of people to generate income and put them on a path towards financial independence. We believe that access to, and the distribution of, alternative investments is fundamentally broken, leading to an income and opportunity gap.

Digital engagement, properly done, is critical to closing this income and opportunity gap, both in the alternative investments space and in society more broadly. As such, we strongly believe that overbroad regulatory action in the digital engagement space will not only fail to protect investors, but it will exacerbate inequalities in American society.

The alternative investment opportunities offered by the Yieldstreet platform to investors are fundamentally illiquid, and as such we are likely to have quite a different approach to trading apps whose business model is predicated on “day trading”. Yieldstreet’s business model is predicated on people investing money, which goes hand in hand with investments having good returns in illiquid markets. As a result, it is completely contradictory for an investment adviser to funds with illiquid alternative investments to design digital engagement strategies that would incentivize people to trade every day. As such, we strongly believe that any regulations surrounding digital engagement should distinguish between trading apps and platforms designed for trading liquid stocks, and platforms designed for investing in illiquid alternative investments.

## **Background on Yieldstreet**

Through our online platform, Yieldstreet offers investors the opportunity to participate in a wide-range of asset-backed debt and equity investments, by indirectly financing loans or other investment opportunities that Yieldstreet affiliates or funds either extend to borrowers or acquire from originators or other counterparties. Before our founding, opportunities in this space were previously reserved for institutions and the ultra-wealthy. But by bringing together retail investors and borrowers in need of alternative financing, Yieldstreet has opened these opportunities to thousands of ordinary people. Since its founding, Yieldstreet has funded approximately \$2.3 billion in investment opportunities, returned approximately \$1.1 billion in principal and interest to investors, and has fully repaid 172 individual offerings.

Before mid-2020, all of our investments were offered only to verified accredited investors, pursuant to Rule 506(c) of Regulation D of the Securities Act of 1933 (“Securities Act”) or to self-accredited investors pursuant to Rule 506(b) of Regulation D of the Securities Act. In 2020, we launched the Yieldstreet Prism Fund, a closed-end fund registered under the Investment Company Act of 1940 and publicly filed under the Securities Act. This was our first multi-asset class offering and is now available to all investors.

Yieldstreet does not, and has not, operated a broker dealer. One affiliate, Yieldstreet Management, LLC, is a registered investment adviser but currently acts as the adviser only to the funds on our online platform that issue securities to retail investors, and not as an adviser to the investors themselves (as those investors acknowledge at the time they choose to participate). But, although Yieldstreet operates neither a broker-dealer nor a retail-investor facing registered investment adviser, Yieldstreet has a keen interest in the Commission’s approach to digital engagement practices, given our fundamental belief that digital engagement is critical to expanding opportunity and reducing inequality.

## **Digital Engagement is Inherently Positive**

Digital engagement is an inherently positive thing. At a macro level, over the last 18 months, as the global pandemic ravaged the world, the Internet allowed billions of people to safely continue to work, attend school, and communicate with family members and friends. Digital engagement practices as well as underlying analytical and technological tools and methods that underpin the creation and use of these practices are used in the most advanced way by all large internet companies such as Google and Facebook, that are the dominant advertising platforms. Investment platforms like Yieldstreet necessarily depend on those platforms for user engagement under circumstances where we cannot, of course, “control,” nor even have insight into, their non-public and proprietary technology and operations. We ask that the Commission consider the commercial reality and limitations of these relationships so any regulation of digital engagement does not impose burdens on the “small guys” with respect to matters that we simply have no ability to control.



We believe retail investing is also an inherently good thing. We recognize, and appreciate, that the RFI properly acknowledges that digital engagement practices make investor platforms more accessible to retail investors, assist in the development and implementation of investor education tools, and encourage retail investors to increase their contributions to retirement accounts and engage in other wealth-building activities.

Further, while we appreciate the Commission's focus on investor protection, not just wealth creation, we submit that digital engagement, broadly defined, is actually a good thing for investor education and transparency, which ultimately leads to investor protection. Yieldstreet, for example, makes the offering documents for its investments available online and requires investors to certify they have read those documents before investing and, in addition, all periodic reports are communicated to investors through Yieldstreet's web portal. It defies logic to think that investors would be more likely to read these disclosures and reports if they received them in hard copy.

### **Yieldstreet's Use of Digital Engagement**

Yieldstreet uses digital engagement practices, as defined by the Commission,<sup>1</sup> in five main areas.

First, Yieldstreet uses digital questionnaires to segment investors and ensure they are eligible to invest on the Yieldstreet platform. As noted above, most of Yieldstreet's products are offered only to verified accredited investors and the onboarding process for each investment contains a number of questions designed to ensure an investor is qualified for a particular investment.

Second, and relatedly, before investing, the user must certify, on Yieldstreet's digital platform, that he or she has read the offering documents for the relevant investment. The offering documents available through the platform contain extensive disclosures concerning risks, fees, costs, and conflicts of interest.

Third, Yieldstreet uses digital engagement, through its platform, as an alternative to traditional emails. It provides notifications through the platform to investors concerning payments or other updates. Investors may also contact Yieldstreet directly through the platform. In addition, Yieldstreet has back-up phone-based customer support and direct communications with investors through the platform are monitored by legal and compliance to ensure that such communications comply with the securities laws.

Fourth, Yieldstreet uses digital engagement to facilitate investor education. Yieldstreet conducts webinars and posts videos to educate users and investors with respect to the markets generally and specific asset classes. Yieldstreet also hosts a podcast where every week it brings users the latest market insights about its asset classes and products from subject matter experts outside of Yieldstreet.

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<sup>1</sup> The Commission's RFI defines digital engagement practices as including "behavioral prompts, differential marketing, game-like features (commonly referred to as 'gamification') and other design elements or features designed to engage with retail investors on digital platforms."

Finally, Yieldstreet does use information about a user's background to tailor some of the information provided on the platform, in particular what educational content the user sees. An investor who is new to alternative investing may, for example, see different educational information than a user who is more experienced in alternative investing. For the avoidance of doubt, Yieldstreet uses digital engagement only for user segmentation and not for the provision of any investment advice to users.

**Any Regulation of Digital Engagement Should Focus on the Total**

In using digital engagement, Yieldstreet's intent is to allow investors to access markets that were previously available only to the ultra-wealthy and to allow counterparties greater access to capital. We believe digital engagement, broadly speaking, facilitates greater market access, better opportunities for wealth creation, and greater equality. Thus, while some have raised concerns about digital engagement practices "encouraging" trading or investing, we believe that encouraging investors to understand and consider new opportunities available through innovative technology like those available on the Yieldstreet platform, when done appropriately, serves the investor community. Digital engagement without question facilitates investor education, and indeed is already critical to informed investing in a society now accustomed to visual-based learning. Thus, we believe the Commission's assessment of any particular digital engagement practices should focus broadly on all relevant facts and circumstances given the benefits these practices provide, including the intent behind the practices, and do so in view of the obvious societal change that has come with technology, and thus not just focus on the content or mechanics of any given practice or communication in isolation. We would be happy to answer any questions you may have or participate in any advisory group should the Commission set it up.

Very truly yours,

YieldStreet Inc.

By: Ivor Wolk  
Name: Ivor Wolk  
Title: General Counsel

