

STASH

500 7th Avenue, 8th Floor, New York, New York 10018

October 1, 2021

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

Re: ***SEC File Number S7-10-21 - Stash Investments LLC Response***

Dear Ms. Countryman:

We write in response to the Securities and Exchange Commission's ("**SEC**") August 27, 2021 Request for Information and Comments on Broker-Dealer and Investment Adviser Digital Engagement Practices, Related Tools and Methods, and Regulatory Considerations and Potential Approaches; Information and Comments on Investment Adviser Use of Technology to Develop and Provide Investment Advice in the above-referenced matter (the "**Request**"). Below is our response, submitted by our SEC-registered investment adviser, Stash Investments LLC (our "**Adviser**"),¹ which describes how we use digital engagement practices ("**DEPs**") to fulfill our company mission to empower everyday Americans to invest and build wealth - and do so in a way that is consistent with our fiduciary duty under the current regulatory framework governing investment advisers.

We appreciate that, in the Request, the SEC expressly highlights that financial firms use DEPs for the benefit of retail investors through their digital platforms. We can't emphasize this point enough. While we acknowledge that DEPs, when used by certain types of financial firms, may have the potential to pose risks, harms, and conflicts that either may not be in the best interest of or may not adequately protect retail investors, we believe that the SEC's existing regulatory framework and disclosure regime for SEC-registered investment advisers provides sufficient controls and guidelines to adequately mitigate such risks, harms, and conflicts to adviser clients. It is our fiduciary duty to integrate our investing philosophy and compliance with our regulatory obligations into the design of our mobile applications and website, including our use of DEPs, and we believe our DEPs are in our customers' best interests.

¹ Stash Financial, Inc. is the parent company of Stash Investments LLC, an SEC-registered investment adviser, and its affiliate, Stash Capital LLC ("**Stash Capital**"), an SEC-registered broker-dealer. All customers on the Platform (as defined below) are customers of the Adviser, which provides customers with investment advisory services through a wrap fee program. The Platform interface (i.e., all design, technology, and communication with customers) are Adviser activities. Stash Capital serves as introducing broker-dealer to the Adviser's customers and routes trades aggregated by the Adviser on behalf of the Adviser's customers to Apex Clearing Corporation ("**Apex**") for execution. Apex acts as the carrying and clearing broker-dealer and qualified custodian for all individual customer accounts advised by the Adviser, and is unaffiliated with Stash Financial, Inc. and its affiliates.

Introduction to Stash

Stash Financial, Inc. (“***Stash Financial***”) owns and operates a digital-first financial services subscription platform that customers can access via mobile applications (both iOS and Android) and/or through Stash Financial’s website (the “***Platform***”). We are on a mission to empower everyday Americans to invest and build wealth by providing an affordable, accessible, and simple-to-use Platform with access to the financial markets. We encourage our customers to engage in long-term, diversified investing through regular periodic investments, as opposed to short-term speculation or day-trading - an investment philosophy we describe as the “Stash Way”.² The Platform is designed accordingly, with investment advice and financial education embedded throughout. We do not offer margin accounts, do not permit short selling, do not offer options trading, and do not permit trading in complex derivatives or related financial instruments. Furthermore, we treat every customer equally during our trade allocation process - in other words, there’s no preferential treatment offered to customers based on trading volume, assets under management, or the timing of their indication of interest. As a result of this structure, we do not have a material financial incentive to promote customer trading.

Our customers are primarily middle class Americans with little to no investing experience who historically have been overlooked and underserved by other, more traditional financial firms. We’re proud to count more than 6 million customers, who have set aside more than \$3 billion on the Platform thanks to regular and automatic deposits of \$31 on average. Today, our customers are 15% more financially literate than the average American³ and studies have shown that they increase their financial literacy the longer they engage with us. Our DEPs have served a key role in our ability to help our customers build wealth and learn good financial habits.

Stash’s Digital Engagement Practices

DEPs are an efficient tool to achieve our mission. We use DEPs to teach financial literacy and other complex concepts in a more digestible way (financial literacy, unfortunately, is not being widely taught in schools); to obtain customer information necessary to provide our services; to encourage retail investors to begin their investing journey; to warn retail investors of volatility and/or any potential risks or harms that may exist in the securities markets; to support our investing philosophy, the Stash Way, and to provide investment advice; and, most importantly, to help our customers build confidence in improving their finances. We do not use DEPs designed to encourage frequent trading, DEPs that incorporate investment strategies that carry additional risk (e.g. options trading or trading on margin); or DEPs that incorporate trading in complex securities (e.g. derivatives).

² See, e.g., The Stash Way: Our Investing Philosophy (Aug. 31, 2020), available at <https://learn.stash.com/stash-way-investing-philosophy>.

³ Based on two surveys conducted online within the United States by Stash using SurveyMonkey technology in April 2021. The surveys were completed by 1,174 non-Stashers and 1,016 Stash customers. "Financial literacy" is determined and defined by the percent of correct answers to a series of financial questions by respondents, on average. Users were grouped into buckets by the number of months using Stash, then the average scores were calculated for each group, and the 12-month moving average was plotted to show the clear trend between tenure and score.

As a result of our DEPs, our mission, and our duty as an investment adviser, a significant portion of historically underserved retail investors are now interacting with us in a manner consistent with how they communicate digitally with other companies in all types of industries as part of their daily life, in a fast, convenient, and efficient manner, but in our case, all within a fiduciary framework. We can connect directly with millions of retail investors on a daily basis (especially during market events or volatile trading sessions), understand them better over time, and transform that knowledge into a more personalized and actionable digital experience that supports their stated financial goals. In fact, we think our use of DEPs and the scalability they provide are critical in enabling us to provide our services to millions of people who have been overlooked and underserved by more traditional investment firms because they are not high net worth individuals who invest significant amounts of wealth into the market and are not retail investors who trade securities frequently.

Below is a discussion on the categories of DEPs we utilize on the Platform, consistent with how each category is described in the Request.

Subscription Tiers

The Request specifically includes subscriptions or tiered memberships as a type of DEP and asks whether there are any concerns with respect to wrap fee programs for clients with minimal to no trading activity as commissions for trade execution have moved toward zero. We briefly describe our subscription tiers below and why we believe our wrap fee program, regardless of the amount of a customer's trading activity, is a transparent, accessible, and affordable model that resonates with, and provides value to, our customers.

As part of the Adviser's account registration process customers are asked to purchase one of the Adviser's three subscription tiers.⁴ Within each subscription tier, the Adviser provides a bundle of advisory services for one comprehensive monthly fee (\$1, \$3, or \$9 per month) as part of its wrap fee program. Our subscription tiers are designed to provide customers with options, such that each tier varies by design in the amount and form of investment advice and educational content provided and the type and amount of accounts that a customer may open.⁵

Once a customer selects to purchase the subscription tier that best fits their individual financial needs and circumstances, the customer has the freedom to upgrade or downgrade their

⁴ See, <https://www.stash.com/pricing>

⁵ With our Stash Beginner tier, for \$1 per month a customer may receive access to a personal brokerage account, personalized investment advice for that account including access to our Diversification Tool, and educational content about investing and financial planning for beginner investors. If in addition to the services provided under the Stash Beginner tier a customer prefers to open a retirement account and/or open a "Smart Portfolio" (as further described below) and receive investment advice relating to those accounts, along with our investor insight report and additional educational materials about investing and financial planning for retirement, then for \$3 per month a customer may purchase our Stash Growth subscription tier. Lastly, if a customer prefers to receive access to all advice, accounts and content the Adviser offers through the Platform, then a customer may purchase our Stash+ subscription tier for \$9 per month. Our Stash+ subscription tier includes everything in Stash Beginner and Stash Growth, in addition to access to our monthly market insight report on financial markets, sectors, industries and the economy, access to custodial accounts for their children and investment advice for those accounts, and additional educational content about investing and financial planning for families.

subscription tier or cancel their subscription tier at any time. The Adviser does not require customers to sign up for any specific subscription tier, nor does the Adviser automatically upgrade or downgrade any customer based on their account size, performance, or level of engagement with the Platform. The Adviser also on a quarterly basis reminds customers on the Stash Growth and Stash+ subscription tiers to periodically review their subscription tier to ensure they are receiving services that best fits their individual financial needs and circumstances.

The goal of this structure is to ensure that every customer receives an appropriate amount of services in accordance with their desired goals. We've intentionally bundled many forms of investment advice, unique tools, and educational content with other services that are traditionally linked to trading such as brokerage and custody, despite and irrespective of the amount of a customer's trading activity. We do not believe our subscription pricing under our wrap fee program poses any of the harms or risks highlighted in the Request.

Ideas Presented at Order Placement and Other Curated Lists or Features

The Adviser offers all customers access to a Portfolio Diversification Analysis tool ("**Diversification Tool**")⁶ that develops recommended investments based on a customer's diversification score, which is calculated from the customer's current portfolio, Risk Level⁷, and the Adviser's target asset allocation corresponding to that Risk Level. Customers may view a breakdown of their diversification score that will list the target asset allocation corresponding to each customer's Risk Level, and the Diversification Tool will identify specific investment categories on which the customer should focus to achieve diversification. Through the Diversification Tool, the Adviser also provides investment recommendations to customers consisting of ETFs within each investment category on which the client has been advised to focus to achieve a higher score. The Adviser also regularly directs clients to the Diversification Tool in its educational and marketing content, some examples of which are described below. While seemingly categorized as a DEP under the Request, the benefit of the tool to our customers is apparent. Our data shows that customers that have interacted with our Diversification Tool are more likely to achieve a higher diversification score and therefore have a more diversified portfolio than customers that have not interacted with the Diversification Tool.⁸

The Adviser also incorporates curated lists into the design of its "browse investments" screen, where a customer may search or browse investments available on the Platform. The criteria selection for each grouping of stocks or ETFs is based on an objective methodology designed by

⁶ See, <https://learn.stash.com/find-out-about-portfolio-diversification-analysis>.

⁷ In order to connect directly with customers and provide personalized investment advice that's suitable and consistent with our fiduciary duty, customers are asked as part of the Adviser's account registration process to provide information relating to their individual investment preferences and investment style, such as their age, investing experience, risk tolerance, investment time horizon, financial circumstances and liquidity needs (collectively, "**Client Information**"). Once the Adviser receives a customer's Client Information, the customer is categorized by the Adviser into one of three levels of investment risk: Conservative, Moderate, or Aggressive (collectively, the "**Risk Levels**"). Each customer may update their Client Information at any time through the Platform following their initial registration, which could modify their Risk Level. The Adviser also prompts clients to update their Client Information on a quarterly basis.

⁸ Based on internal data as of September 2021 that reflects the median Diversification Tool score of customers with a personal brokerage account in good standing that have interacted with Diversification Tool compared to customers with a personal brokerage account in good standing that have not.

the Adviser's investment team. Each investment must meet a set level of criteria to be included, such as minimum daily average trading volume and market capitalization thresholds. The Adviser believes this categorical design approach benefits our customers by making navigating and finding an investment on the Platform simple because we have found that new investors often don't invest because they find the investment options overwhelming. We also note customers may choose not to engage with these groupings.

As a final example, customers may not place an indication of interest to transact in any investment available on our Platform unless they view the specific "investment card" first. The purpose of these investment cards and requiring customers to view them is to ensure that customers are educated about the specific investment so they can make an informed investment decision prior to a transaction. Each investment card includes information about the specific investment, such as a brief description of the investment strategy if it's an ETF or an overview of the company's business if it's a publicly-traded stock, pricing and performance data, dividends paid, and a link to the company's and/or ETF's investor website for more detailed information about the investment such as a prospectus.

Games, Streaks and Other Contests with Prizes

The Adviser offers several reward and marketing promotional programs, which are available to customers or potential customers. These programs offer cash, stock or ETF shares as a reward for participating in the promotion, and are designed generally to grow the Adviser's customer base and to encourage investing and diversification generally. Any stock or ETF offered as part of these programs is selected by the Adviser's investment committee.

As an example, the Adviser may offer a promotion where new customers are eligible to select one stock as their reward from a predetermined list of stocks, and upon opening a new account the Adviser will purchase \$5 worth of fractional shares of that selected stock for the new customer's account. Another example is that upon a new customer opening an account with the Adviser, the Adviser will agree to waive the new customer's first monthly subscription fee. As a final example, the Adviser may offer customers who set up our Set Schedule feature⁹ with a reward in cash or a fractional share of stock or an ETF. In each case, these promotional offers are designed primarily to promote healthy financial behavior, such as contributing cash or a fractional share of stock or an ETF to a customer's account to get the customer started on their investing journey or incentivizing a customer to invest on a regular and recurring basis. In furtherance of our investing philosophy and the importance of diversification, the Adviser will, in the promotional messaging, often link out to Diversification Tool or other advice and education. The Adviser's compliance team also reviews all the promotional messaging for each offer and ensures that any necessary disclosures are presented to customers that elect to participate. Each promotional offer is governed by a distinct set of promotional terms and conditions outlining information such as eligibility and fulfillment of any rewards.

⁹ Set Schedule is a feature on the Platform that allows customers to automatically transfer money into their account(s) on a recurring basis entirely set by the customer. The feature is designed as an easy way for customers to save and invest regularly on a recurring basis in accordance with their individual goals. See, <https://learn.stash.com/auto-stash-set-schedule>.

The Adviser also offers a unique Stash “Stock Party” Rewards Program to customers. This is a loyalty program for customers under which the Adviser offers a fractionalized share of a predetermined stock or ETF to any customer that visits a public website page specific to this program on an appointed day and during an appointed period of time, logs into their account once they visit the public website page, and clicks on a designated link to receive their reward. The Adviser notifies its customers beforehand of the appointed date and applicable time periods for each stock party on its social media channels, in addition to any methods by which customers have opted-in to receive any distinct messaging relating to this program in accordance with Stash Financial’s privacy policy.¹⁰ The total amount of stock the Adviser will give away at each stock party is determined on a pre-published set of governing terms and conditions that are disclosed to all customers prior to each party, and that total amount increases with the number of customers that perform all of the required steps on that particular day and during the applicable time period. Every customer that completes all of the required steps, however, splits that total amount of stock evenly and receives the same stock reward in their account. Most times these fractional share rewards range on average between \$0.10 to \$0.30 per participating customer. The amount of each reward is never based on a customer’s account size, performance, or level of engagement with the Platform but for completing the three required steps. By offering a different fractionalized share of stock or an ETF to participating customers at each stock party, the Adviser’s goal is to teach the importance of diversification via exposure. In furtherance of this goal, the Adviser also directs each participating customer to Diversification Tool and other educational content as part of the experience. Our data shows that customers who have participated in a stock party on average have a higher Diversification Tool score and have more unique investments in their personal brokerage account than customers who have not participated in a stock party.¹¹

Lastly, the Adviser has a customer referral program where current customers may receive a fixed dollar amount in either cash or stock purchased for their account by referring a friend or family member who then opens and funds a qualifying account. This referral program was originally designed in accordance with the SEC’s cash solicitation rule, but the Adviser recently elected to comply with the SEC’s new Modernized Marketing Rules and designed the referral program in accordance with that framework. The Adviser believes that although referral programs were listed as DEPs in the Request, any customer risks, harms or conflicts associated with the use of such referral programs by SEC-registered investments advisers are already adequately covered by the SEC’s Modernized Marketing Rule framework.

Participation in each of these reward and marketing promotional programs is optional and customers may opt to not participate. The Adviser notes that the Platform does not incorporate any game design elements in connection with any customer action as the Adviser understands the meaning of that term, such as slot-machine or lottery style interactive graphics or concepts.

Notifications

¹⁰ See, <https://www.stash.com/theprivacypolicy>.

¹¹ Based on internal data as of September 2021 that reflects that reflects the average Diversification Tool score and number of unique investments held by customers with a personal brokerage account in good standing that participated in a stock party compared to the average Diversification Tool score and number of unique investments held by customers with a personal brokerage account in good standing that have not participated in a stock party.

Sending customers notifications is the most efficient way to communicate with our customers, including notifications we may be required to provide given our obligations as an SEC-registered investment adviser, in particular to satisfy our fiduciary duty to our customers. The forms of these notifications are emails, push notifications that alert a customer through their mobile device and engagement with the message leads the customer directly to the Platform, text messages, or pop-up messages that appear in a prominent place on the Platform once a customer has logged into their account.

During times of market price volatility, trading volumes, trading restrictions, or any other noteworthy market conditions, the Adviser leverages the Platform to send notifications to customers. These notifications are designed in accordance with our mission. The Adviser coordinates with its investment committee to ensure that such notifications are sent in a timely manner and include a sufficient level of information relating to the event so customers can make informed financial decisions and/or take any required action. One example, as highlighted in the Request, is the Adviser uses notifications to attempt to assure customers during periods of market volatility and direct customers to continue to invest in accordance with the Stash Way. Another example is, if a specific security is experiencing high market price volatility, the Adviser will notify all clients that own that specific security of the volatility and if any customer reaches the investment card for that security the Adviser will ensure that a pop-up message appears on the Platform notifying the customer that the security is experiencing market price volatility so the customer is properly informed prior to making an investment decision. In certain cases, the Adviser will, in the notification, link out to our Diversification Tool or other investment advice that is relevant to the specific event.

Consistent with the notifications described in the paragraph above, and following the same process by coordinating with the investment committee and compliance team, the Adviser monitors customer portfolios and sends targeted notifications to customers who are deemed to have overly concentrated portfolios. The Adviser makes this determination based on a set of criteria that leverages customers' Diversification Tool scores and their Risk Level. If a customer is deemed to have an overly concentrated portfolio, the Adviser will send a notification to the customer alerting them that their portfolio isn't sufficiently diversified and that the customer may be exposed to more risk. The notification contains a link to the customer's Diversification Tool where the customer will receive investment recommendations consisting of ETFs that will help the customer achieve a more diversified portfolio. Our data shows that this notification structure is successful in achieving its intended purpose.¹²

The Adviser also sends administrative and transactional notifications that are necessary to provide its advisory services, such as billing notifications when a customer is assessed a fee, brokerage confirmations and statements relating to a customer's account(s), receipt of a deposit and/or a dividend, two-factor authorization messages, fraud alerts or service notifications. These notifications are designed to keep customers connected to their account(s) so they can manage their funds and investments, and ensure they're aware of any log-in or transactional activity

¹² Based on internal data as of January 2021 that reflects whether customers, after receiving this notification, purchased an investment in their personal brokerage account that resulted in an increase to their Diversification Tool score.

particularly in the case of suspected fraud. From a marketing perspective, the Adviser sends marketing-related notifications to customers and prospective customers in accordance with the Stash Financial privacy policy.

Customers or prospective customers may at any time opt-out of notifications in accordance with Stash Financial's privacy policy. To receive text messages a customer must provide their express consent to opt-in, and to opt-out the customer may revoke their consent at any time by replying "STOP" or following any other instructions included in the text message. As with other mobile applications' notifications through a mobile device, a customer can activate or deactivate push notifications and may silence them based on their own preferences and personalized settings on their mobile device.

The Platform also does not use physical feedback or audio feedback (such as a buzz, ring, or the like) to reflect actions or events that occur on the Platform.

Visual Cues

Design patterns incorporated on the Platform use a combination of design elements that are primarily focused on improving the customer's experience. Some of these design elements include patterns on a screen that incorporate concise and clear language, easy to follow visual cues to enhance navigation, and clearly proposed action steps presented as on screen buttons. While each screen follows a design system pattern that incorporates call to action buttons which encourage a customer to take a specific action, these call to actions are consistent with our fiduciary duty as an adviser. Those actions may include clicking on a button to confirm an intended action, clicking on a button for more information, or clicking on a button to exit out of the experience. Each screen provides optionality to a customer, by allowing them to click on a button that serves as a next step, or completely exiting out of the experience. Many of the screens are designed in a manner to serve as a confirmation screen by incorporating a checkmark (or other reinforcing confirmation visuals) in the design which is intended to reconfirm an action that a client has taken which helps to reinforce an independent decision.

Though many design elements featured on the platform are text heavy, we believe there are benefits stemming from the use of animation and/or illustration-based visual cues that help deliver clarity, build confidence, and empower customers. Specifically, an illustration or animation can quickly resonate with a customer in a glanceable moment through their digital experience. In addition, animation and/or illustration visual cues help to communicate to a customer in a concise and timely manner while cutting across language barriers. The Adviser hopes to implement more animation and/or design principles throughout the Platform in the near to immediate future to achieve these benefits more.

The Adviser's Compliance Program and Use of Disclosures

The Adviser has instituted a compliance framework that seeks to ensure all customer engagements, whether DEPs or not, are conducted in a manner that is consistent with its regulatory obligations, including the duty of care, duty of loyalty, and the anti-fraud provisions or Rule 206 under the Act. To this end, the Adviser has a compliance team dedicated to

reviewing and approving all communications with prospective or actual customers, agnostic of the medium, to check that they are: (i) consistent with the firm's policy and regulatory requirements; (ii) are not misleading; (iii) contain truthful, accurate, and complete disclosures; and (iv) are in a format that effectively communicates the information.

To comply with Rule 206(4)-7 of the Act's requirement to determine that policies and procedures are effectively implemented, the Adviser has adopted ongoing monitoring and testing (conducted by individuals independent of the team that reviews the actual advertising materials). Some examples of these activities are: reviews to check that (i) any DEP-related messaging is reviewed by the Adviser's compliance team prior to dissemination; (ii) materials contain required disclosures; and (iii) materials are properly archived to comply with the books and records rule under the Act.

Conclusion

Our customers are primarily middle class Americans with little to no investing experience, who have been historically overlooked and underserved by more traditional financial firms, exactly the type of retail investors that the SEC seeks to protect. The benefit of DEPs - when employed by investment advisers within the current regulatory framework applicable to advisers - is clear, as described in our response. Our customers would not be investing and learning how to accumulate personal wealth but for our DEPs. We strongly believe the existing regulatory framework governing registered investment advisers is more than adequate to guard against the risks, harms, and conflicts noted in the Request. That principles-based framework supports a reasonable balance between protecting adviser customers while allowing advisers to leverage technological innovation to efficiently reach and serve millions of retail customers at scale.

We thank the Staff again for this opportunity to provide comments on this important matter, and we look forward to collaborating with you further.

Sincerely,



Brandon Krieg
CEO
Stash Financial, Inc. and Stash Investments LLC