Pontera's last-bid gambit to turn Fidelity credential-sharing ban into an 'investor rights issue,' falls flat, and now Schwab and others are turning a deaf ear as bans spread

The New York City fintech appealed to 33 million plan participants in a 3,000 word post, but mowed over concerns of 24,300-plus plan sponsors who hold Fidelity's fate as recordkeeper in their hands, analysts say.

Author Oisín Breen December 1, 2025 at 10:00 PM

3 Comments

Corey Frayer: 'Pontera is following the crypto model of fly-in, get everything you can and fight loudly.'

Pontera's plan to appeal directly to Fidelity's 33 million retirement plan investors with a 3,000-word plea to access its 401(k) data, appears to have fallen flat – and even boomeranged.

The New York City fintech posted an open letter on its website in October hoping to build a groundswell of support for free or low-cost credential sharing, calling it an "investors rights issue."

"The open letter was Pontera's biggest bomb," says Will Trout, director of securities and investments at Boston consultancy Datos Insights, in an email.

Indeed, six weeks after the headline-grabbing move, the Boston giant appears to be digging in, while Schwab and other big custodians may be moving in the same direction, if several legal, regulatory and industry sources are correct in their reading of the bomb's fallout.

Yoav Zurel: Has roundly criticised Fidelity's block on his firm's software.

In fact, Pontera, which sells software so independent RIAs can manage client retirement accounts, may not have Plan B.

“Wthout regulatory intervention or competitive pressure from other recordkeepers, escalation options are exhausted,” Trout says. See: Pontera CEO heats up year-long battle with Fidelity.

"Pontera has no leverage because Fidelity offers no path to negotiation … Fidelity can maintain its position indefinitely unless plan sponsors themselves demand Pontera access," he adds, explaining the gambit.

ERISA reality

Without compromise, Pontera would be challenged to escalate its letter to a lawsuit against Fidelity, says Ari Sonneberg, a partner with Wagner Law Group.

Louis S. Harvey: Consider the comfort plan sponsors have with Fidelity's deep pockets.

“If Pontera is looking for a lawsuit here, I think they are going to have to find a novel theory on which to base it,” he says by email.

“Yes, a recordkeeper’s fiduciary duty under ERISA would demand that participants have access to their 401(k) plan investments, but the argument that the duty extends to requiring that a recordkeeper provide such access to a third-party entity is a stretch.”

Regardless of the appeal of the Pontera argument, it doesn't get off the ground, Trout says.

“The letter targeted participants over sponsors …Plan sponsors are the actual decision makers."

It framed the dispute “as anti-competitive, rather than fiduciary,” he adds.

"It was always going to backfire … The letter appealed to the wrong constituency … It’s a classic case of Silicon Valley thinking colliding with ERISA reality," says Trout.

Culture clash

It's a cultural divide that manifested itself, adds Corey Frayer, director of investor protection at the Consumer Federation of America, a consumer lobbying organization.

Will Trout: It's a classic case of Silicon Valley thinking colliding with ERISA reality.

"Pontera is following the crypto model of fly-in, get everything you can and fight loudly," he says.

"This is one of the biggest problems with technology firms getting involved in finance and continuing to operate under the motto of 'move-fast-and-break-things,'" he explains.

"We're talking about a consumer's life savings, we hold everybody on the chain accountable … that's why you see large financial institutions being very careful and thoughtful and slow to adopt innovations," he adds.

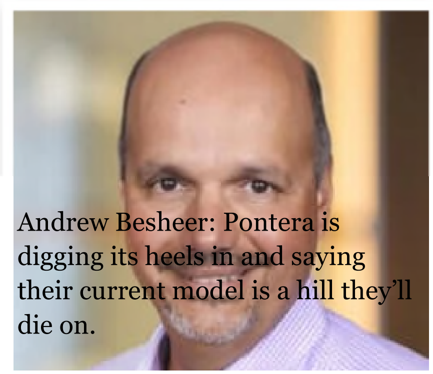
The American Benefits Council, a 401(k) trade association and lobby group, shares Frayer's concerns.

"The American Benefits Council is aware of industry concerns regarding the data security of our plan sponsors and their participants from credential sharing practices," says Lynn Dudley, the council's senior vice president for global retirement and compensation policy.

"We are concerned about credential sharing due to the cybersecurity risks, [and] believe that all processes related to plan participants used must be reviewed and approved by plan sponsors," she adds.

Big negative

Fidelity has actively blocked Pontera from accessing its services since Sept 2024, and Pontera claims its smoking gun is that Fidelity "stands alone" in actively blocking Pontera from accessing its recordkeeping data. See: Pontera password-sharing business model is a bridge too far for Fidelity.



Andrew Besheer: Pontera is digging its heels in and saying their current model is a hill they'll die on.

It adds: "This is not about Pontera's model either. We work with plenty of other record keepers who take no issue."

But now, one of Fidelity's closest peers, Charles Schwab & Co., is stepping up its efforts against credential-sharing, according to several recent reports.

Earlier this month, Schwab, which provides custody services for the self-directed sleeves of plan accounts administered by Vanguard, Voya Financial, and Nationwide, began prohibiting credential-sharing, citing “security concerns."

Schwab's actions differ materially from Fidelity's, says Pontera head of brand, Zachary Pardes, in a Barron's interview, Nov. 17. Pardes told Barron's that it is simply not a total block.

Bomerang

Yet, analysts, Trout included, see Schwab's move as both a big negative for Pontera, and one that is directly connected to the firm's open letter.

“Within weeks of Pontera's open letter calling Fidelity's actions "anticompetitive,” Schwab joined Fidelity in restricting credential sharing, directly contradicting Pontera's claim that 'Fidelity stands alone,'” says Trout.

Alex Barned: Login security at the record keeper is just being side-stepped.

“The letter has boomeranged on Pontera.

"Asset managers and recordkeepers are now more vocal, Schwab validated Fidelity's stance, and industry analysts are openly questioning Pontera's approach,” he adds.

Other recordkeepers could also soon follow Fidelity – and Schwab's – lead, says Absolute Capital National Sales Director Alex Barned, in an email.

“Fidelity has thousands of sponsors who have said advisors should not be involved in these plans, [but] not every record keeper has [as] much aggregate liability," he explains.

"Record keepers are not permitting [credential sharing], login security at the record keeper is just being side-stepped and we shouldn’t view this as a green light [forever]

“We have yet to see every record keeper make the decision as to how to handle [Pontera],” he adds.

Sponsors paramount

Fidelity is a hard target against Pontera's pro-investor plea because the recordkeeper has – in effect – a higher fiduciary face card to play, say a multitude of RIABiz sources including Fidelity itself.

The plan sponsors' needs are paramount – and it starts with following the "rules," a Fidelity spokeswoman explains in an email.

"If a customer chooses to work with an advisor to manage their 401(k), they can do so. But it's important they use an advisor who securely advises on employer-sponsored retirement accounts with plan sponsor oversight.

"The firms that rely on participant credential sharing are doing this outside of plan sponsor oversight.

"Ultimately, the plan sponsor expects Fidelity to provide administrative services to the plan and the rules that govern it," the spokeswoman continues.

"Today, those rules do not include allowing participants' advisors to trade on behalf of participants through shared credentials," she concludes.

Aaron Schumm: The sponsor-first framing is real.

Recordkeeper obligation

Pontera declined repeated requests from RIABiz to say whether it plans to escalate its "letter" offensive.

It did reply about what it believes are the "rules," and Fidelity's alleged misreading of them.

"This is about the consumer's right to decide … Plan sponsors' responsibility for the plan does not extend to third-party services where the sponsor has no involvement in their selection or endorsement," a Pontera spokesman explains, via email.

Recordkeepers are, in fact, obliged by law to give access, Pontera's spokesman argues, stating that if they do not, they risk failing in their fiduciary duty to let plan participants get advice as and when they choose, according rules laid down by the Department of Labor.

Fiduciary responsibility

Pontera has plenty of high-profile partners in the wealth industry, including Pershing X, Captrust, Morningstar, Commonwealth Financial Network, and a large number of RIAs, such as Summit Financial, Wealthspire Advisors, Mercer Advisors, and the recent mega-breakaway, OpenArc. *See*: Merrill Lynch breakaway team gain 'leverage.'

But Fidelity sees its "fiduciary obligation" to plan sponsors as "inescapable" – and its size helps justify its plan sponsor-centric reading of the rules, says Louis S. Harvey, president of Marlborough, Mass. ERISA and compliance consultancy, Dalbar, in an email exchange.

"Smaller players can take the risk that they won't get sued, but Fidelity would be unwise to expose themselves … The liability extends to all parties since fiduciary responsibility extends to [any party] having knowledge of a breach," he says.

The 401(k) recordkeeping business has seen significant consolidation through mergers and acquisitions over the years, reducing the total number of active recordkeepers.

Fidelity is recordkeeper for nearly $4 trillion in 401(k)s, or more than 30% of all assets, estimated at $10.8 trillion, a figure growing by 7.8% a year, according to Pensions & Investments.

Operational risks

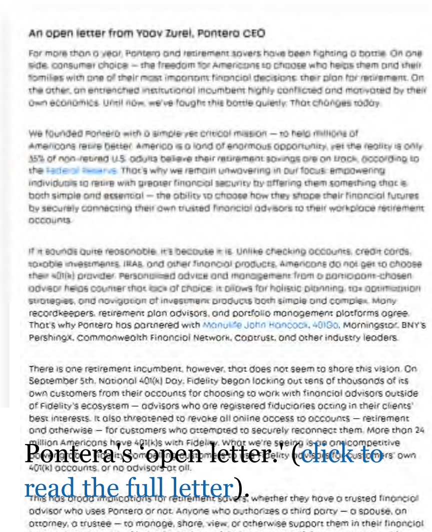
One smaller 401(k) player, Aaron Schumm, founder and CEO of 401(k) recordkeeper Vestwell, defends Fidelity.

"Room for compromise exists," he says.

"The sponsor-first framing is real … Sponsors and their providers carry fiduciary and operational risk, so many won't endorse shared credentials," he says.

"Some administrators have taken a different risk posture or built narrow, permissioned channels that sponsors approve – hence the variation you're seeing across the market," Schumm explains.

"These are classic questions around data minimization, traceability, and duty of care—especially acute in ERISA environments.



An open letter from Yoav Zurel, Pontera CEO

For more than a year, Pontera and retirement savers have been fighting a battle. On one side, consumer choice — the freedom for Americans to choose who helps them and their families with one of their most important financial decisions: their plan for retirement. On the other, an entrenched institutional incumbent highly conflicted and motivated by their own economics. Until now, we've fought this battle quietly. That changes today.

We founded Pontera with a simple yet critical mission — to help millions of Americans retire better. America is a land of enormous opportunity, yet the reality is only 35% of non-retired U.S. adults believe their retirement savings are on track, according to the Federal Reserve. That's why we remain unwavering in our focus: empowering individuals to retire with greater financial security by offering them something that is both simple and essential — the ability to choose how they shape their financial futures by securely connecting their own trusted financial advisors to their workplace retirement accounts.

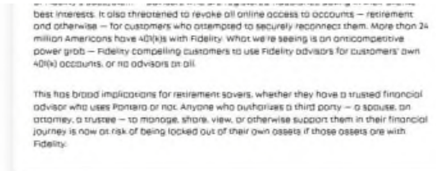
If it sounds quite reasonable, it's because it is. Unlike checking accounts, credit cards, taxable investments, IRAs, and other financial products, Americans do not get to choose their 401(k) provider. Personalized advice and management from a participant-chosen advisor helps counter that lack of choice: it allows for holistic planning, tax optimization strategies, and navigation of investment products both simple and complex. Many recordkeepers, retirement plan advisors, and portfolio management platforms agree. That's why Pontera has partnered with Manulife John Hancock, 401Go, Morningstar, BNY's PershingX, Commonwealth Financial Network, Captrust, and other industry leaders.

There is one retirement incumbent, however, that does not seem to share this vision. On September 5th, National 401(k) Day, Fidelity began locking out tens of thousands of its own customers from their accounts for choosing to work with financial advisors outside of Fidelity's ecosystem — advisors who are registered fiduciaries acting in their clients' best interests. It also threatened to revoke all online access to accounts — retirement and otherwise — for customers who attempted to securely reconnect them. More than 24 million Americans have 401(k)s with Fidelity. What we're seeing is an anticompetitive [illegible] customers' own 401(k) accounts, or no advisors at all.

This has broad implications for retirement savers, whether they have a trusted financial advisor who uses Pontera or not. Anyone who authorizes a third party — a spouse, an attorney, a trustee — to manage, share, view, or otherwise support them in their financial [illegible]

Pontera's 'open letter.' (click to read the full letter).

“A workable path looks like: sponsor authorization, role-based permissions, delegated tokens instead of shared credentials, read-and-write scopes that mirror the plan document, comprehensive logging, and clear incident and indemnification terms," Schumm concludes.


best interests. It also threatened to revoke all online access to accounts — retirement and otherwise — for customers who attempted to securely reconnect them. More than 24 million Americans have 401(k)s with Fidelity. What we're seeing is an anticompetitive power grab — Fidelity compelling customers to use Fidelity advisors for customers' own 401(k) accounts, or no advisors at all.

This has broad implications for retirement savers, whether they have a trusted financial advisor who uses Pontera or not. Anyone who authorizes a third party — a spouse, an attorney, a trustee — to manage, share, view, or otherwise support them in their financial journey is now at risk of being locked out of their own assets if those assets are with Fidelity.

Sponsor decision

Pontera declined to say whether it would follow Schumm's suggestion. Yet smaller Pontera rival, Absolute Capital already employs the Schumm approach.

Founded in 2002, Absolute, which has 350 RIA clients, also has direct access to an undisclosed number of Fidelity-administered 401(k) plans, and the participant data of specific clients.

“Plan documents, designed with a record keeper, determine whether we will have access,” says Barned in an email.

"It's a decision each sponsor makes ... just over half of the plans permit advisors and this is growing every month

“We've yet to see any plan document that says the use of an employee’s credentials to trade their account by a third party is allowable,” he adds.

Consumer holds keys

Pontera's all-or-nothing approach to data access is hard to explain, says Andrew Besheer, founder and principal of Bronxville, N.Y. consultancy, Besheer & Associates, in an email.

“I’ve known the Pontera team for more than a decade now … The obligations of the custodian and plan sponsors have been pushed to the background.

“The whole concept of credential sharing … is viewed as highly sub-optimal and open to info-security risk … [but] Pontera is digging its heels in and saying their current model is a hill they’ll die on," " Besheer explains.

In a 1,644-word email response, Nov. 20, Pontera stated that neither plan sponsors, nor Fidelity, have the right to lock it out.

States critical of credential sharing

- Washington: Credential-sharing (CS) as likely an “unethical” practice.
- Missouri: CS as “dishonest, and unethical.”
- Ohio: CS as potentially violating a number of compliance requirements.
- Oregon: CS as potentially violating Oregon Securities Law.
- Nebraska: CS as “dishonest, and unethical.”
- Michigan: CS is a cybersecurity risk and a

"The consumer holds the keys and is authorizing the action. It's their money, and Pontera gives participants, the keyholder, the choice to utilize an advisor of their own choosing," says the firm's spokesperson. See: Pontera-like play wins Black Diamond deal, but all parties are mum on Fidelity

potential threat to fiduciary duty.

- New Jersey: CS is at risk of violating NJ Securities Law.
- Colorado: advisors "should avoid" CS.

* *Delaware (neutral), Texas (pro), and Rhode Island (pro) have also taken public stances on advisors availing of credential sharing.*

The 'crown jewels'

Pontera has also totally misunderstood why Fidelity won't – and can't back down, says Trout.

"There's a brutal strategic logic to Fidelity's response. The plan sponsor relationship *is* the crown jewel," he explains.

"It's not just about the current revenue – it's about maintaining the trust relationship that gives Fidelity communication lines to millions of savers in the $13 trillion DC market.

"For Pontera, Fidelity access could be transformative growth, [but] for Fidelity, allowing Pontera's model could set a precedent that jeopardizes their fundamental plan sponsor relationships."

"The stakes are asymmetric," Trout continues.

"Once you understand that Fidelity's customer is the plan sponsor – not the participant – and that plan sponsors' primary concern is fiduciary compliance – not participant convenience – then [you'll see] Pontera's approach was structurally destined to fail with Fidelity," Trout concludes.

Model collapse?

Fidelity's refusal to work with Pontera has given the start-up a second strategic dilemma, too.

Unlike Absolute Capital, Pontera is not an RIA, so to mirror its approach, it would also need access, at scale, to a staff familiar with striking deals and addressing the minutae of ERISA compliance – with potentially hundreds of thousands of plan sponsors.

"Retrofitting their model to work through plan sponsors would fundamentally

Defining Fidelity's 401(k) dominance

- An estimated 70 million Americans hold a combined $9.3 trillion in 401(k) plans.
- An estimated 715,000 plans are in operation, Including small 401(k) plans.
- Fidelity is the largest 401(k) recordkeeper in

change their go-to-market strategy," says Trout.

“Instead of signing up RIAs directly, they'd need to negotiate agreements plan-by-plan … cutting their addressable market in half overnight … [and requiring] regulatory infrastructure Pontera doesn't have or doesn't want to build,” he explains.

Striking discrete agreements with the 24,300-plus Fidelity plan sponsors alone could also take years, and Pontera, which has raised $159.3 million of venture capital funds – over eight rounds, beginning in 2013 – has its own investors returns to consider.

“Pivoting to Fidelity's requirements would effectively validate the criticisms of their original approach and potentially jeopardize existing relationships … with smaller recordkeepers like 401GO and Manulife John Hancock*,” Trout continues.

the country, administering 47%, or 33 million of all plan participants.
- It administers around $3.5 trillion, or 38% of all 401(k) assets.
- Over 24,300 of the largest 401(k) plans in the country use its services.

* Source: The Investment Company Institute, Datos Insights, Fidelity.

Yet "advisors managing 'holistic' portfolios can't be truly holistic if one-in-four workplace plans is off-limits," he says.

"If other major recordkeepers follow Fidelity's lead, Pontera's model collapses," he concludes.

Consumer rights

In a series of emails, Pontera states that it is fully compliant with data security regulations, and that it does not, and will not sell data or use credential data to access data beyond a clients' 401(k) plans.

Nor does Pontera directly provide advisors with a client's credentials, merely a token, which stands in lieu of a password.

"Any notion that Pontera operates in a gray area is inaccurate," says a spokesman.

“Consumers have been seeking the advice of their own trusted fiduciaries for decades. Pontera simply provides a security layer to do so … [and] advisors who use Pontera are limited in the actions they can take,” the spokesman explains.

Pontera also rejects the argument that its reliance on credential sharing is financial or strategic in nature.

“Our use of credential sharing has absolutely nothing to do with economics," the firm's spokesman explains.

"We'd be very happy to collaborate with Fidelity; we should both be working together to put the retirement saver first … [but] if Fidelity doesn't want to engage, credential sharing is the next feasible option.

"Consumers must have the right to choose what they do with their own money," he says.

Pontera has yet to answer if it intends any further measures to force a breakthrough with Fidelity, including any potential appeal to the Department of Labor.

But it may be – intentionally or not – tempting the *other* Silicon Valley maxim for when moving fast and breaking things, fails.

Fail fast, fail often.

Dublin-native and Edinburgh-based Oisín Breen has spent seven years writing about finance, including five whirlwind years diving into the advisor world for RIABiz. A widely published and well regarded poet with two full collections under his belt, Breen is also an academic in English Literature with a deep fondness for his Scottish rabbit, Hessell. @Breen

Brooke Southall and Keith Girard contributed to the editing of this article.