

**STATE OF NEVADA**  
**OFFICE OF THE SECRETARY OF STATE**  
**SECURITIES DIVISION**

**2250 LAS VEGAS BOULEVARD NORTH, SUITE 400**  
**NORTH LAS VEGAS, NEVADA 89030**

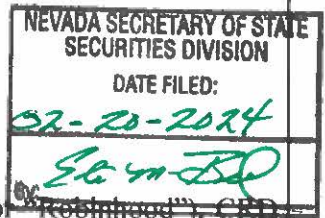
**In the Matter of:**

**ROBINHOOD FINANCIAL LLC, CRD**  
**#165998**

**Respondent.**

**ADMINISTRATIVE CONSENT ORDER**

**File No. INV23-136**



**WHEREAS,** Robinhood Financial LLC ("Respondent Robinhood" or "Robinhood"), CRD No. 165998, is a Florida-based broker-dealer located at 500 Colonial Parkway, Suite 100, Lake Mary, Florida 32746;

**WHEREAS,** Respondent Robinhood has been registered as a broker-dealer in Nevada since January 2, 2014;

**WHEREAS,** a coordinated investigation into Respondent Robinhood's management of its activities with respect to the retail market, including platform outages, deficiencies in supervision of options and margin trading eligibility and approval processes, deficiencies relating to Respondent Robinhood's operational structure for controls, customer service and relating to significant operational issues during the period of approximately October 1, 2019 to March 2021 (the "Investigation") has been conducted by a multistate task force, coordinated among members of the North American Securities Administrators Association ("NASAA");

**WHEREAS,** Respondent Robinhood has agreed to resolve the Investigation, upon the terms specified in the Settlement Term Sheet executed as of October 2022, with all participating states and territories identified in Appendix A to the Settlement Term Sheet (each, a "Jurisdiction" and collectively, the "Jurisdictions");

1       **WHEREAS**, Robinhood agrees to comply in all material respects with the undertakings  
2 specified herein;

3       **WHEREAS**, Respondent Robinhood elects to permanently and expressly waive any right to  
4 a hearing and appeal under the Act and/or to seek judicial review under the Nevada Administrative  
5 Procedures Act, codified in NRS Chapter 233B, with respect to this Order; and

6       **WHEREAS**, Respondent Robinhood admits the jurisdiction of the Division in this matter.

7       **NOW THEREFORE**, the Administrator of the Nevada Securities Division, Secretary of  
8 State, (“Division”) pursuant to the Act, hereby enters this Order:

9                                   **FINDINGS OF FACT**

10       1.       Respondent Robinhood admits the jurisdiction of the Division, neither admits nor  
11 denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to the entry  
12 of this Order by the Division.

13       2.       Respondent Robinhood acquired approximately 50,100 new Nevada customers from  
14 October 1, 2019, to March 31, 2020, for a total customer count of approximately 148,363 as of March  
15 31, 2020. From October 1, 2019, to March 31, 2020, Robinhood approved approximately 7,039  
16 Nevada customers for option trading and approximately 1,008 Nevada customers for margin trading.

17                                   **PLATFORM OUTAGES**

18       3.       In December 2014, Robinhood launched commission-free, self-directed trading  
19 through its mobile application to retail customers with no account minimums. Robinhood’s dramatic  
20 growth in customers strained the firm’s platform infrastructure and its ability to properly address  
21 customer needs. In March 2020, Robinhood’s mobile and website platform experienced multiple  
22 outages that had a negative impact on the customer’s ability to submit orders and communicate  
23 effectively with customer support. During the outages, customers were generally not able to enter buy  
24 or sell orders and did not have the ability to take advantage of fluctuations in security prices.  
25 Thousands of customers nationwide contacted Robinhood in the three months following the March  
26 2020 outages concerning inability to execute transactions.

4. Since March 2020, Robinhood has implemented changes to customer support and functionality of the mobile platform, some pursuant to an investigation by the Financial Industry Regulatory Authority (“FINRA”) and agreed upon in the resulting Letter of Acceptance, Waiver, and Consent (“AWC”) dated June 22, 2021 (the “FINRA AWC”).

#### **OPTIONS and MARGIN**

#### **APPROVAL**

5. Robinhood provides two types of option accounts to its customers, “Level 2” and “Level 3.” The Level 2 account provides customers the ability to trade basic option contracts, which include cash secured put and covered call contracts. The Level 3 account provides customers with the ability to participate in more advanced strategies, such as option spreads.

6. Robinhood provides customers the ability to maintain a margin account to borrow funds from Robinhood to execute transactions by utilizing the cash and securities in the customer’s account as collateral.

7. Robinhood customers applied for option trading and margin trading through an automated process that reviews information provided by the applicant such as account equity, employment status, liquid net worth, income, risk tolerance, investment experience, and investment objective. Robinhood relied upon an algorithm that nearly instantaneously approves or denies the customers’ option or margin trading application. Robinhood did not have any designated registered principals or other staff that manually assisted in the review process for option and margin trading to verify each applicant’s self-reported information.

8. Robinhood’s automated account approval process allowed for customers that were denied option and margin trading to re-submit and be approved by utilizing different responses to the eligibility questions.

9. In April 2020, Robinhood began a monthly review of all option trading customers to identify and address inconsistencies with the information that was provided during the application process.

10. In May 2021, Robinhood began conducting a weekly inspection of its option customers to verify proper approval for those accounts was achieved. The inspection process included a process that identified accounts that did not fit the eligibility parameters and those accounts were downgraded accordingly.

#### **OPERATIONAL COMPLIANCE**

11. The FINRA AWC cited numerous operational failures and failure to maintain proper compliance systems resulting in violations of FINRA rules, including the following that violate the rules and laws within the Act:

a. **Failure to have a reasonably designed customer identification program** – *“From June 2016 to November 2018, Robinhood failed to establish or maintain a customer identification program that was appropriate for the firm’s size and business. The firm approved more than 5.5 million new customer accounts during that period, relying on a customer identification system that was largely automated and suffered from flaws. For example, even though Robinhood received alerts flagging certain applications as potentially fraudulent-including applications where the customer’s purported Social Security number belonged to a person who was deceased-Robinhood’s customer identification system “overrode” those alerts and approved the applications without any review. In all, Robinhood approved more than 90,000 accounts from June 2016 to November 2018 that had been flagged for potential fraud without further manual review.”*

b. **Failure to supervise technology critical to providing customers with core broker-dealer services** – *“From January 2018 to February 2021, Robinhood failed to reasonably supervise the operation and maintenance of its technology, which, as a FinTech firm, Robinhood relies upon to deliver core functions, including accepting and executing customer orders. Instead, Robinhood outsourced the operation and maintenance of its technology to its parent company, Robinhood Markets, Inc. (RHM)- which is not a FINRA member firm-without broker-dealer oversight. Robinhood experienced a series of outages and critical system failures between 2018 and late 2020, which, in turn, prevented Robinhood from providing its customers with basic broker-dealer services, such as order entry and execution.”*

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14. Robinhood's initial acknowledgements were, during the period, provided through automated email responses. Subsequent responses, provided primarily through email and chat, were sometimes delayed and not issue responsive. Robinhood sometimes utilized multiple customer support agents to respond to an ongoing ticket and the responses did not always fully address the customer's concerns. Robinhood's reliance on automated and bulk emails to resolve certain customer support inquiries did not always meet customers' individual needs and expectations. Robinhood should have been aware through its monitoring that some customers were not receiving adequate customer support.

15. In December 2020, Robinhood rolled out an option for phone support but continued to utilize email responses for a significant number of inquiries. Further, Robinhood failed to accurately project customer service representative headcount to adequately handle customer needs in 2020.

16. Robinhood did not provide customers clear and accurate disclosures concerning certain options and margin issues. Robinhood did not notify customers of long running errors involving certain account display information. Additionally, Robinhood did not provide customers realistic expectations around its customer support capabilities, telling customers that Robinhood would respond to email requests within 1-3 days but this did not always occur.

17. To date, Robinhood has paid over \$87 million to compensate customers through settlements, including by paying restitution as part of the FINRA AWC, by contributing to a Fair Fund related to a settlement with the U.S. Securities and Exchange Commission, and by settling a class action and other direct lawsuits.

#### **CONCLUSIONS OF LAW**

1. The Division is responsible for administering and enforcing the securities laws of the State of Nevada and is authorized to investigate securities activities to determine compliance with Nevada law and issue orders imposing civil penalties and remedial actions pursuant to NRS 90.420(1)(l), NRS 90.630(2), and through FINRA rules adopted by reference pursuant to 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023).



2. Pursuant to NRS 90.420(1)(l), FINRA Rule 3110, and 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023), it is a violation of the Act for a broker dealer firm to fail to establish and maintain a supervisory system that is reasonably designed to achieve compliance with securities laws and regulations.

3. Pursuant to 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023), it is a violation of the Act for a broker dealer firm to fail to exercise due diligence when ascertaining essential facts about a customer's financial situation and investment objectives in the context of reviewing an application for options or margin trading.

4. By failing to maintain adequate oversight of its trading technology resulting in significant platform outages during times of historic market volatility, as well as significant periodic outages, Robinhood harmed its Nevada customers. Robinhood's failure to implement and maintain adequate supervisory systems for its technology violated FINRA Rule 3110 pursuant to 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023).

5. While experiencing platform outages, Robinhood failed to maintain an adequate customer response system. Therefore, Robinhood violated FINRA Rule 3110 pursuant to 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023).

6. Robinhood failed to maintain and implement adequate supervisory systems for its technology and failed to exercise due diligence in ascertaining essential facts about Nevada's customers' qualifications for options and margin trading. Robinhood also negligently misrepresented risks associated with multi-leg spread options. Therefore, Robinhood violated FINRA Rule 3110 pursuant to 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023).

7. By failing to report "tens of thousands" of complaints to FINRA, Robinhood violated FINRA Rule 3110 pursuant to 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023), that requires every dealer to establish, maintain, and enforce written procedures to set forth the prompt review and written approval of the handling of customer complaints.

8. By failing to provide reasonable customer support, Robinhood failed to maintain and implement adequate supervisory systems over its customer support. Therefore, Robinhood violated FINRA Rule 3110 pursuant to 303 Nev. Reg. Admin. Regs. NAC 90.321(1) as amended by LCB File No. R018-21 (May 25, 2023).

**ORDER**

On the basis of the Findings of Fact, Conclusions of Law, and Robinhood's consent to entry of this Order,

**IT IS HEREBY ORDERED:**

1. This Order concludes the investigation and any other action that the Division could commence under applicable law on behalf of Nevada as it relates to the substance of the Findings of Fact and Conclusions of Law herein, provided however, that excluded from and not covered by the paragraph 1 are any claims by the Division arising from or relating to Robinhood's failure to comply with the undertakings contained herein.

2. This Order is entered into solely for the purpose of resolving the referenced investigation and is not intended to be used for any other purpose.

**A. SETTLEMENT**

3. Robinhood shall pay the Nevada Secretary of State a civil penalty totaling \$200,000.00. Payment of this penalty is to be paid not later than 30 days from the date the Administrator executes this Order. Robinhood may transmit payment electronically to the Division, which will provide detailed Wire transfer instructions upon execution of the Agreement.

4. In consideration of the settlement, the Division will conclude the investigation and any civil or administrative actions that could be commenced pursuant to state securities law for the specific violations resolved herein, solely as it relates to Robinhood. Nothing in this Order shall be construed to create, waive, release, or limit any private right of action, including any claims retail customers have or may have on an individual or class basis under state or federal laws against any person or entity. The Division will not seek additional monetary penalties or remedies from



1 Robinhood, relating to the specific failures and deficiencies identified by the jurisdictions in the  
2 course of this investigation and limited exclusively to the specific violations identified in this Order.

3 5. Nothing herein shall be construed as limiting any Jurisdiction's ability to investigate  
4 Robinhood for violations not resolved herein or to respond to and address any consumer complaints  
5 made with respect to Robinhood.

6 6. Nothing herein shall be construed as having relieved, modified, or in any manner  
7 affected Robinhood's ongoing obligation to comply with all federal, state, or local statutes, rules, and  
8 regulations applicable to Robinhood. If, after this Order is executed, Robinhood fails to comply with  
9 any of the terms set forth herein or any representation by Robinhood herein is discovered to be  
10 incorrect or misleading in any manner, a Jurisdiction may enforce this Order and may reinstitute the  
11 actions and investigations referenced in the Order. Any violations of the Order, as issued, may  
12 constitute grounds for further sanctions against Robinhood for such violations.

13 **B. REMEDATION AND FURTHER UNDERTAKINGS**

14 7. As part of the FINRA AWC, Robinhood engaged a third-party consultant to complete  
15 a comprehensive review of Robinhood's compliance with areas identified as deficient in the FINRA  
16 AWC, including Robinhood's procedures for option trading account approval, and recommended  
17 modifications or supplements to Robinhood's processes, controls, policies, systems, procedures, and  
18 training. Robinhood shall provide access to any non-privileged report, exhibits, documents, or  
19 subsequent reports generated from the third-party consultant's review. The Division will treat the  
20 report as an investigatory record for purposes of applicable Public Record Law provisions. Robinhood  
21 shall provide the Division with a written attestation that the firm fully complied with the independent  
22 third-party consultant's recommendations or has otherwise maintained measures as or more effective  
23 at addressing the purpose of the recommendations within one-year of the settlement date.

24 8. Robinhood represents that it has done substantial work to enhance its customer  
25 service program since March 2020. Robinhood has substantially increased available customer service  
26 resources, including by hiring additional staff and expanding the avenues for customer support. The  
27 Customer Experience team includes customer support agents, operational leaders who oversee and  
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1 manage customer support on a day-to-day basis, quality control reviewers, and account security  
2 specialists.

3 9. In June 2021, Robinhood reorganized the customer support structure by support  
4 categories to optimize its customer support function. Support categories include Advanced Brokerage  
5 (options and margin); Core Brokerage (equities and ACATS); Customer Safety and Privacy (account  
6 information, login issues, and security operations); Accounts (onboarding, documents, taxes, data and  
7 charts, deactivation, referrals and usability); and Funding (withdrawals, deposits, and bank linking).  
8 Only Robinhood licensed representatives staff the Advanced Brokerage and Core Brokerage groups.

9 10. Robinhood represents that it now offers customers multiple methods to submit  
10 complaints, make inquiries and receive support, including email support, live voice support, and live  
11 24/7 chat support.

#### 12 **Voice Support**

13 11. Robinhood launched its voice support program in December 2020 and gradually  
14 increased its availability. Beginning in October 2021, voice support was available 24/7 for all  
15 customer support inquiries, including but not limited to inquiries regarding options, potential account  
16 takeovers, account restrictions, equities, margin, withdrawals, cash management, cybersecurity,  
17 fraud, bank-linking, and cryptocurrency. Beginning in September 2023, Robinhood offers live phone  
18 support for all inquiries to customers from 7:00 a.m. to 9:00 p.m. Eastern Time 7 days a week. It is  
19 also available 24 hours a day, 7 days a week in more limited use cases. Customers can request phone  
20 support from 7:00 a.m. to 9:00 p.m. via a call-back option in the Robinhood app or website and will  
21 receive a notification when they are next in line for a call. Robinhood has an internal target of calling  
22 customers within 30 minutes of submission of their request.

#### 23 **Chat Support**

24 12. In July 2022, Robinhood added 24/7 chat support for all customer support inquiries.

#### 25 **Customer Support Metrics**

26 13. Robinhood represents that it currently tracks a number of metrics regarding customer  
27 response times and focuses on median response time and a metric called "P85 response time," which  
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1 is the time it takes to respond to 85% of support requests. Notably, for customers requesting voice  
2 support, although not required by regulation, Robinhood has consistently met its target of calling  
3 customers back within 30 minutes. Robinhood represents that its current practice is to track pending  
4 unresolved customer support inquiries and maintain records of customer correspondence and  
5 contacts, including failures of customer service to respond to inquiries.

6 14. Robinhood represents that its Customer Experience team uses several internal data  
7 dashboards to monitor customer support-related metrics. Senior management, including the Vice  
8 President of Operations Shared Services (who oversees customer support), and Robinhood Market,  
9 Inc.'s Chief Brokerage Officer, is kept apprised of these metrics on a regular basis as well as on an ad  
10 hoc basis.

#### 11 **Remedial Undertakings**

12 15. Robinhood will maintain reasonable and effective policies and procedures governing  
13 the supervision of its customer support function, including but not limited to accurate disclosures to  
14 customers regarding available customer support. As part of customer support supervision, regular,  
15 appropriate and timely reports shall be made to the Vice President of Customer Experience, who is  
16 also a member of Robinhood's Board of Managers.

17 16. Robinhood will maintain records of customer complaints and correspondence,  
18 including complaints and correspondence concerning failure of customer service response to  
19 inquiries, in accordance with all applicable regulatory requirements.

20 17. Robinhood has or will establish additional reimbursement policies or procedures for  
21 evaluating whether retail customers have suffered losses related to deficiencies in the supervision of  
22 customer support or from other system issues or from the deficiencies laid out in the FINRA AWC.  
23 Robinhood is not aware of any customers impacted by the underlying deficiencies in the FINRA  
24 AWC who have not already been evaluated for remediation.

#### 25 **C. AUDITS AND INSPECTIONS**

26 19. Within two years of the date of the first executed Order, at Robinhood's expense,  
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1 state securities regulators may send a multistate team to examine and review compliance with  
2 the Order which may include, but are not limited to:

- 3 a. Reviewing and evaluating the effectiveness of Robinhood's remediation practices  
4 and overall supervision of customer support.  
5 b. Evaluating and addressing the accuracy and timeliness of Robinhood's  
6 communications and disclosures to customers regarding the level of support that  
7 they can expect to receive.  
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9 20. This multistate examination is a part of the state regulators' authority to require the  
10 production of books and records, audit, examinations, and review, and should not be interpreted to  
11 limit this authority in any way.

12 **CONSTRUCTION AND DEFAULT**

13 21. This Order shall not, (a) form the basis for any disqualifications from registration as  
14 a broker-dealer, investment adviser, or issuer under the laws, rules, and regulations of any state, or  
15 for any disqualification from relying upon the securities registration exemptions or safe harbor  
16 provisions to which Robinhood or any of its affiliates may be subject under the laws, rules, and  
17 regulations of the settling states, (b) form the basis for any disqualifications under the laws of any  
18 state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands; under the rules or regulations  
19 of any securities or commodities regulator of self-regulatory organizations; or under the federal  
20 securities laws, including but not limited to, § 3(a)(39) of the Securities Exchange Act of 1934, Rule  
21 262 of Regulation A and Rules 504 and 506 of Regulation D under the Securities Act of 1933 and  
22 Rule 503 of Regulation CF, (c) form the basis for disqualification under the FINRA rules prohibiting  
23 continuance in membership or disqualification under other SRO rules prohibiting continuance in  
24 membership.

25 22. Except in an action by the Division to enforce the obligations in this Order, this  
26 Order is not intended to be deemed or used as (a) an admission of, or evidence of, the validity of any  
27 alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) an admission of, or  
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evidence of, any such alleged fault or omission of Robinhood in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or other tribunal.

23. This Order shall be binding upon Robinhood and its successors and assigns, as well as to successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

24. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the Nevada without regard to any choice of law principles.

25. This Order is not intended to state or imply willful, reckless, or fraudulent conduct by Robinhood, or its affiliates, directors, officers, employees, associated persons, or agents.

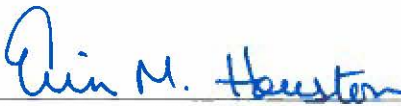
26. Robinhood, through its execution of this Order, voluntarily waives their right to a hearing on this matter and to judicial review of this Order under the Nevada Administrative Procedure Act, NRS Chapter 233B.

27. Robinhood enters this Order voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Division or any member, officer, employee, agent, or representative of the Division to induce Robinhood to enter this Order.

IT IS SO ORDERED.

DATED this 20<sup>th</sup> day of February, 2024.

**BY ORDER OF THE ADMINISTRATOR**  
Office of the Secretary of State, Securities Division

  
ERIN M. HOUSTON  
Deputy Secretary for Securities  
Securities Administrator

**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER**

Respondent Robinhood hereby acknowledges being served with a copy of this Order, have read the foregoing Order, are aware of their rights to a hearing and appeal in this matter, and have waived the same.

Respondent specifically acknowledges that a violation of this Order may constitute a felony pursuant to NRS 90.650.

Respondent admits the jurisdiction of the Securities Division of the Nevada Office of the Secretary of State, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Administrator of the Division as settlement of the issues contained within this Order.

Respondent agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that Respondent shall pay pursuant to this Order. Respondent understands and acknowledges that these provisions are not intended to imply that would agree that any other amounts Respondent shall pay pursuant to this Order may be reimbursed or indemnified (whether pursuant to an insurance policy or otherwise) under applicable law or may be the basis for any tax deduction or tax credit with regard to any state, federal or local tax.

Respondent states that no promise of any kind or nature, other than the consideration set forth in the Order, was made to them to induce them to enter into this Order and that they have entered into this Order voluntarily.

Matt Billings represents that **[he/she]** is VP Brokerage and President RHF and RHS of Robinhood and that, as such, has been authorized by Robinhood to enter into this Order for and on behalf of Robinhood.

Dated this 2 day of February, 2024.

Robinhood Financial LLC

By: Matt Billings  
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Title: VP Brokerage and President RHF and RHS