UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102170 / January 13, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22405

In the Matter of **Robinhood Financial LLC and Robinhood Securities, LLC** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Robinhood Financial LLC ("Robinhood Financial") and Robinhood Securities, LLC ("Robinhood Securities") (collectively "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") that the Commission has determined to accept. Robinhood Financial admits the facts set forth in Section III paragraphs 80-91 below, acknowledges that its conduct violated Section 17(a)(1) of the Exchange Act and Rule 17a-4(b)(4) thereunder, admits the Commission's jurisdiction over it and the subject matter of these proceedings, and, without admitting or denying any of the other findings contained herein, consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below. Robinhood Securities admits the facts set forth in Section III paragraphs 14-19 and 80-91 below, acknowledges that its conduct violated Section 17(a)(1) of the Exchange Act and Rules 17a-4(b)(4), 17a-4(j), and 17a-25 thereunder, admits the Commission's jurisdiction over it and the subject matter of these proceedings, and, without admitting or denying any of the other findings contained herein, consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b)

and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds[1] that

Summary

1. These proceedings arise out of Respondents' violations of federal statutes and regulations related to blue sheet filing, short selling, identity theft, recordkeeping, and suspicious activity reporting between at least 2018 and April 2024 (the "Relevant Period").

2. Robinhood Financial and Robinhood Securities are the two broker-dealers responsible for accepting orders and executing trades on the Robinhood trading application or website. For investors using the application or website, Robinhood Financial serves as an introducing broker-dealer, and Robinhood Securities serves as the clearing and, in some circumstances described below, executing broker-dealer. During the Relevant Period, Respondents committed the following securities law violations:

3. Electronic Blue Sheets: Robinhood Securities failed to submit to the Commission complete and accurate data in response to Commission staff electronic blue sheets ("EBS") requests, resulting in the reporting of EBS that were incomplete or deficient. From at least October 2018 through April 2024 (the "EBS Relevant Period"), in response to requests from the Commission, Respondent made at least 11,849 EBS submissions to the Commission that contained inaccurate information or omissions, resulting from eleven types of errors. Those errors resulted in the misreporting of EBS data for at least 392 million transactions.

4. Fractional Share Trading and Stock Lending: Robinhood Securities failed to comply with Regulation SHO ("Reg SHO") in connection with stock lending and fractional trading programs. From May 2019 until March 2020, Robinhood Securities did not timely close out fails to deliver resulting from its stock lending activities. Additionally, from at least December 2019 until December 2023, Robinhood Securities effected millions of principal short sales relating to fractional shares trades that it mismarked as "long" because it lacked the ability to calculate its net proprietary position at the time of its sale orders. From December 2019 until May 2022, Robinhood securities mismarked millions of short sale riskless principal orders relating to fractional share trades as "long" because it improperly marked the orders based on its customers' positions rather than its proprietary positions. Then, from May 2022 until December 2023, Robinhood Securities mismarked an additional 4.5 million riskless principal orders relating to fractional shares trades as "short exempt" even though Robinhood Securities did not satisfy all the conditions for doing so.

[1] The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. Suspicious Activity Reporting: From January 2020 through March 2022, during a surge of customer trading activity, Respondents did not promptly initiate reviews of potentially suspicious activity or complete those reviews in reasonable periods of time. As a result, Respondents did not file Suspicious Activity Reports ("SARs") in many instances until multiple months after the activity in question had been flagged for review.

6. Identify Theft Prevention: From April 2019 through June 2022, Respondents failed to implement adequate policies and procedures designed to detect, prevent, and mitigate identity theft in connection with their customers' accounts.

7. Unauthorized Remote Access to Robinhood Systems: From at least June 28, 2021 through November 3, 2021, Respondents failed to adequately address known risks posed by a vulnerability relating to remote access to their systems. On November 3, 2021, a third party obtained unauthorized access to certain of Respondents' front-end systems and downloaded information related to millions of individuals who had provided this information to Respondents.

8. Off-Channel Communications: The federal securities laws impose recordkeeping requirements on broker-dealers to ensure they responsibly discharge their crucial role in our markets. Respondents failed to adhere to certain of these essential requirements and their own policies and procedures. Using their personal devices, certain of Respondents' personnel communicated both internally and externally by text messages and/or other unapproved written communications platforms ("off-channel communications"). From at least January 2019, some of Respondents' employees sent and received off-channel communications that were records required to be maintained and preserved. Respondents did not maintain or preserve many of these written communications.

9. Retention of Brokerage Data: Respondents failed to implement systems sufficient to comply with recordkeeping obligations applicable to broker-dealers that are registered with the Commission. Although Respondents used backup systems for their brokerage data to prevent data loss, between December 2020 and December 2023, Respondents failed to maintain copies of their core operational databases in a manner that ensured that legally-required records were protected from being intentionally or inadvertently deleted or modified for the required length of time.

10. Failure to Maintain Customer Communications: Respondents failed to maintain certain customer communications for several months between 2020 and 2021. At the time, Respondents were using a third-party vendor to archive such communications. Because the total number of messages sent for archiving exceeded the limit the vendor had in place for processing them, some of the messages were not archived by the vendor in real time as intended. Respondents detected this failure in October 2020 and remediated it in March 2021.

11. As a result of the conduct described above, Robinhood Financial willfully[2] violated Rule 30(a) of Regulation S-P; Rule 201 of Regulation S-ID; Section 17(a) of the Exchange Act and

[2] "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act "means no more than that the person charged with the duty knows what he is doing." *Wonsover v.*

Rules 17a-4, 17a-4(b)(4), and 17a-8 thereunder. Additionally, through the above conduct, Robinhood Securities willfully violated Rule 30(a) of Regulation S-P; Rule 201 of Regulation S-ID; Section 17(a)(1) of the Exchange Act and Rules 17a-4, 17a-4(b)(4), 17a-4(j), 17a-8, and 17a-25 thereunder; and Rules 200(g), 203(b)(1), and 204(a) of Reg SHO.

Respondents

12. Robinhood Financial is a Delaware LLC with its principal place of business in Lake Mary, Florida. Robinhood Financial is a Commission-registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA"). Robinhood Financial maintains accounts for customers and serves as their introducing broker.

13. Robinhood Securities is a Delaware LLC with its principal place of business in Lake Mary, Florida. Robinhood Securities is a Commission-registered broker-dealer and a member of FINRA. Robinhood Securities serves as the clearing and, in some circumstances described below, executing broker-dealer for Robinhood Financial customer accounts.

Electronic Blue Sheets

Robinhood Securities Made Deficient Blue Sheet Filings

14. Commission staff routinely sends requests for securities trading records to market makers, broker-dealers and/or clearing firms in order to review trading activity, and firms provide the requested records in a universal electronic format known as the EBS format. It is a fundamental obligation of broker-dealers to provide complete and accurate EBS data when requested by representatives of the Commission to do so. The submission of complete and accurate EBS data is critical to many aspects of the Commission's operations and its ability to discharge its enforcement and regulatory mandates. The failure of a broker-dealer to provide complete and accurate EBS information in response to a Commission request can impact the Commission's ability to discharge its statutory obligations, undermine the integrity of its investigations and examinations, and ultimately interfere with the Commission's ability to protect investors.

15. During the EBS Relevant Period, in response to requests from the Commission, Robinhood Securities made at least 11,849 EBS submissions to the Commission that contained inaccurate information or omissions, resulting from eleven types of errors. Those errors resulted in the misreporting of EBS data for at least 392 million transactions.

16. Robinhood Securities' submissions during the EBS Relevant Period, among other things, omitted responsive transactions, contained duplicate transactions, and/or contained inaccurate information about securities transactions reported, including with respect to EBS fields for the primary party identifier, contra party identifier, exchange code, order execution time, transaction type identifier, and/or the net amount of sale proceeds or purchase costs. Many transaction records were affected by more than one type of error.

SEC, 205 F.3d 408, 414 (D.C. Cir 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

17. The errors in Robinhood Securities' EBS were caused, in large part, by coding issues in its EBS reporting and fractional trading systems, as well as Robinhood Securities' misinterpretation of the guidance governing EBS submissions. For example, due to Robinhood Securities' misinterpretation of EBS-related guidance, it misreported (i) the primary party identifier for Robinhood Financial as "HOOD" instead of "CRFN," which impacted at least 365 million transactions; and (ii) the options exchange code and options contra party identifier information for at least 27 million transactions. EBS reporting coding errors resulted in Robinhood Securities': (i) misreporting of the contra-party identifier as "RHS" instead of the appropriate MPID, CRD, or OCC clearing number, which impacted at least 106 million transactions in which a principal trade was executed against a customer account; (ii) failure to report at least 50 million transactions made in proprietary accounts used to facilitate customer orders; and (iii) submission of duplicates of at least 6 million transactions. Moreover, due to a programming issue in the net amount field, approximately 71,000 transactions with a notional value of less than one half of one cent were improperly rounded down to zero.

18. Certain of Robinhood Securities' EBS errors stemmed from the systems that Robinhood Securities used to process fractional share transactions. As a result of coding issues in its fractional trading system, Robinhood Securities misreported the order execution time for at least 59 million transactions. Due to another coding error, Robinhood Securities provided erroneous transaction type identifier information for at least 47 million transactions.

19. At the time of its EBS submissions, Robinhood Securities did not detect the above errors at least in part because it did not have reasonable policies and procedures to verify that all of the information it was reporting was accurate. For example, Robinhood Securities failed to maintain adequate policies and procedures regarding the submission of EBS data for at least a part of the EBS Relevant Period. Robinhood also failed to conduct adequate periodic sampling and manual validation, and did not have proper quality controls in place to ensure the completeness and accuracy of its EBS data prior to its submissions. Because Robinhood Securities lacked adequate policies and procedures for validating the accuracy of the information reported in its EBS submissions, personnel at Robinhood Securities did not recognize the issues that led to its systemic reporting of deficient EBS information.

Reg SHO

Robinhood Securities Violated Reg SHO in its Stock Lending Business and Fractional Trading and Recurring Orders Activities

A. Reg SHO

20. Reg SHO Rule 203(b)(1) prohibits a broker or dealer from accepting a short sale order in an equity security from another person, or effecting a short sale in an equity security for its own account, unless the broker or dealer has borrowed the security, entered into a bona fide arrangement to borrow the security, or has "[r]easonable grounds" to believe the security can be borrowed so that it can be delivered on the date delivery is due. This is generally referred to as the "locate" requirement.

21. Reg SHO Rule 200(g) requires a broker or dealer to mark all sell orders of any equity security as "long," "short," or "short exempt." An order to sell may be marked "long" only if the seller is deemed to own the security being sold pursuant to paragraphs (a) through (f) of Reg SHO Rule 200 and either the security to be delivered is in the physical possession or control of the broker or dealer, or it is reasonably expected that the security will be in the physical possession or control of the broker or dealer no later than the settlement of the transaction. Reg SHO Rule 200(c) provides that a person shall be deemed to own securities only to the extent he has a net long position in such securities.

22. Reg SHO Rule 204(a) requires a participant of a registered clearing agency to deliver securities to a registered clearing agency for clearance and settlement on a long or short sale in any equity security by settlement date, or to close out a fail to deliver position resulting from a long or short sale transaction in that equity security within certain timeframes by borrowing or purchasing securities of like kind and quantity.

B. Robinhood Securities Failed to Comply with Reg SHO Rule 204(a)'s Requirement to Close Out Fails to Deliver Resulting From its Stock Lending Business

23. At all relevant times, Robinhood Securities has been a broker-dealer and participant of the National Securities Clearing Corporation ("NSCC"), a registered clearing agency. Thus, Robinhood Securities is subject to Rule 204(a)'s close out requirements whenever Robinhood Securities has a fail to deliver to NSCC on long or short sales in any equity security.

24. In late 2018, Robinhood Securities began developing a new stock lending business that would allow it to earn interest from counterparties in exchange for lending out securities owned by its customers.

25. During the development phase, Robinhood Securities understood that the stock lending business was likely to cause fails to deliver to NSCC when Robinhood Securities customers sold shares of equity securities that the customer owned but that Robinhood Securities had loaned to a third-party borrower.

26. Rule 204(a) applied to these customer sales and required Robinhood Securities to (i) ensure delivery of such customer-owned shares by the settlement date of the customer's long sale order, or (ii) ensure timely close out of resulting fail to deliver positions as required by Rule 204(a).

27. Robinhood Securities, however, concluded that Rule 204(a) did not apply, and, therefore, did neither. Robinhood Securities recalled stock loans in response to delivery obligations arising from customer sale orders, and those recalls generally prevented prolonged fails to deliver, but the recalled shares were not always returned in time to satisfy Robinhood Securities' delivery and close-out obligations. As a result, from approximately May 2019, when it launched stock lending, to March 2020, Robinhood Securities systematically incurred fails to deliver to NSCC that were not closed out in accordance with Rule 204(a)'s requirements.

28. In early 2020, FINRA examiners identified this deficiency in Robinhood Securities' stock lending program. In response, by March 2020, Robinhood Securities had developed and implemented procedures to address compliance with Rule 204(a).

C. Robinhood Securities' Fractional Shares Trading Programs Led to Violations of Reg SHO's Order Marking and Locate Requirements

29. During the period December 2019 through May 2020, Robinhood Financial and Robinhood Securities gradually rolled out fractional share trading ("Fractional Trading"), which allowed Robinhood Financial customers to place orders to buy and sell fractions of shares of certain securities.

30. Beginning in January 2020, Robinhood Financial expanded Fractional Trading to permit customers to place orders to buy or sell certain securities in a specified notional quantity—i.e., a specific amount in dollars.

31. In that same time frame, Robinhood Financial began allowing customers to automatically re-invest dividends and make recurring purchase orders in notional amounts (collectively, the "Recurring Orders").

32. Robinhood Financial designed its Fractional Trading system to allow customers to sell only up to the number of shares or notional amount held in their account.

33. Robinhood Securities served as the executing broker for the customers' Fractional Trading and Recurring Orders, facilitating the customers' orders through principal and riskless principal orders as detailed below.

a. Robinhood Securities' Inability to Calculate its Net Position Caused It to Inaccurately Mark Principal Short Sale Orders as "Long" and Fail to Perform Locates

34. Reg SHO Rule 200(f) requires a broker-dealer to determine its net position in a security by aggregating all of its positions in such security at the time of entering a sale order in that security. From at least mid-2019 until June 2023, Robinhood Securities did not have systems in place to aggregate all of its positions and properly determine its net position in an equity security at the time it entered a principal sale order.

35. Due to its inability to determine its net position at the time of order entry, Robinhood Securities was unable to accurately mark such sell orders as "long" or "short" in accordance with Rule 200(g). Robinhood Securities also did not have systems in place to obtain required Rule 203(b) locates for such principal short sales.

36. From December 2019 until December 2023, Robinhood Securities placed sell orders as principal to facilitate customer Fractional Trading and Recurring Orders. From December 2019 until June 2023, Robinhood Securities marked all such transactions "long" even though it could not determine the firm's net position in the security being sold.

37. By at least October 2020, Robinhood Securities was incurring intra-day net short positions that were causing it to incorrectly mark principal short sale orders relating to Fractional Trading and Recurring Orders as "long." The monthly incidence of incorrectly marked principal short sale orders peaked in February 2021 at more than four million. Robinhood Securities did not comply with the locate requirement for any of its mismarked Fractional Trading and Recurring Orders principal short sale orders.

38. In March 2021, Robinhood Securities took remedial action to address the Fractional Trading principal short sale orders. First, Robinhood Securities adjusted the coding of the Fractional Trading program to prevent specific scenarios that led to principal short sales occurring. Second, it added a static inventory in the stocks that were made available through Fractional Trading, which further prevented principal short sales from occurring. Robinhood Securities' remedial actions substantially reduced, but did not eliminate, the number of Fractional Trading principal short sales that were mismarked as long.

39. From June 2021 to June 2023, Robinhood Securities understood its remedial actions may not prevent the possibility of principal short sales from occurring. During that time, Robinhood Securities continued facilitating Fractional Trading and Recurring Orders through a default order mark of "long" for all principal sale orders, while it continued to monitor for incidence of short sales and consider further remedial actions.

40. From June 2023 through December 2023, Robinhood Securities implemented a new system that allowed Robinhood Securities to calculate its net position in a security within and across all of its accounts at the time of its entry of sale orders, including Fractional Trading and Recurring Order sale orders, so as to comply with the Reg SHO order marking and locate requirements discussed above.

41. From December 2019 until December 2023, Robinhood Securities mismarked more than 15 million principal short sales as "long."

b. Reg SHO Violations Relating to Riskless Principal Transactions

i. Robinhood Securities Improperly Marked Short Sale Riskless Principal Orders "Long" Based on Customers' Positions

42. Reg SHO Rule 201(a)(8) states that the term "riskless principal" shall mean a transaction in which a broker or dealer, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy, exclusive of any explicitly disclosed markup or markdown, commission equivalent, or other fee, or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, exclusive of any explicitly disclosed markup or markdown, commission equivalent, or other fee.

43. When Robinhood Financial launched Fractional Trading in December 2019, Robinhood Securities' systems were designed to facilitate customer orders through a combination of riskless principal transactions and principal transactions. (All references to riskless principal sales orders in this section refer to Fractional Trading riskless principal sale orders.) For example, if a Robinhood Financial customer placed an order to sell 100.5 shares of a security, Robinhood

Securities would sell 100 shares to market makers on a riskless principal basis in a "street leg" transaction. Robinhood Securities then would execute the balance of the order as principal by purchasing 0.5 shares from the customer.

44. Robinhood Securities designed its systems to mark its "street leg" riskless principal sales effected as part of Fractional Trading as "long" based on the position of Robinhood Financial's customer whose order Robinhood Securities was effectuating, which always was long. However, Reg SHO Rule 200(g) required Robinhood Securities to mark its "street leg" riskless principal sales based upon its own net position in the security at the time of order entry.

45. In February 2022, Robinhood Securities realized it was improperly marking Fractional Trading riskless principal sale orders based on its customers' underlying positions in the related customer sale order rather than Robinhood Securities' net position.

46. Between February 2022 and May 2022, Robinhood Securities implemented several remedial measures, including (i) an increase in static inventory to reduce the number of riskless principal sales for which Robinhood Securities would be in a net short position at the time of the sale; (ii) a shift to marking riskless principal orders "long" only if Robinhood Securities' net beginning of day position for the security was long in the full amount of the order; and (iii) utilization of a "short exempt" order mark when Robinhood Securities believed it was, based on its beginning of day position, effecting a riskless principal sale from a net short position.

47. These measures combined to substantially reduce the occurrence of riskless principal orders that Robinhood Securities mismarked as "long." However, they did not ensure full Reg SHO compliance. Specifically, Robinhood Securities' use of its beginning of day positions for marking its riskless principal orders "long" or "short" did not ensure compliance with Rule 200(g), which required Robinhood Securities to mark its riskless principal orders based on its net position at the time of the order. Thus, Robinhood Securities continued to mark some riskless principal orders "long" when it was in a net short position at the time of the order. Additionally, as set forth below, Robinhood Securities did not fully meet Reg SHO's explicit conditions for using the "short exempt" order mark when it began using that order mark in May 2022.

48. From December 2019 until May 2022, Robinhood Securities mismarked as "long" over 58 million Fractional Trading riskless principal short sale orders based on its customers' underlying positions when it should have marked the orders "short" based on its net position.

ii. Robinhood Securities Improperly Marked Short Sale Riskless Principal Orders and Short Sale Principal Orders as "Short Exempt"

49. Reg SHO Rule 200(g)(2) provides that a sale order shall be marked "short exempt" only if the provisions of Reg SHO Rule 201(c) or 201(d) are met.

50. Reg SHO Rule 201(d)(6) discusses instances in which a broker or dealer effects the execution of a customer "long" sale order on a riskless principal basis. It provides that a broker or dealer may mark a short sale order of a covered security "short exempt" if the broker or dealer has a reasonable basis to believe that the short sale order is by a broker or dealer effecting the

execution of a customer purchase or the execution of a customer "long" sale on a riskless principal basis. A broker or dealer must have written policies and procedures in place to assure that, at a minimum: (i) the customer order was received prior to the offsetting transaction; (ii) the offsetting transaction is allocated to a riskless principal or customer account within 60 seconds of execution; and (iii) the broker or dealer has supervisory systems in place to produce records that enable the broker or dealer to accurately and readily reconstruct, in a time-sequenced manner, all orders on which a broker or dealer relies pursuant to this exception.

51. Robinhood Securities' use of "short exempt" from May 2022 until December 2023 did not meet the conditions of Rule 201(d)(6) because Robinhood Securities did not have the required written policies and procedures. In December 2023, Robinhood Securities implemented written policies and procedures that met Rule 201(d)(6)'s requirement for using the "short exempt" order mark for riskless principal sales.

52. In addition, Robinhood Securities applied the "short exempt" mark to certain principal short sale orders that did not meet the conditions for that mark because Robinhood Securities allocated the street leg sale orders to its customers at a different price from the one Robinhood Securities received from the street. Because of such price disparity, transactions failed to meet the definition of riskless principal in Rule 201(a)(8) and therefore did not qualify for "short exempt" order marking under Rule 201(d)(6). Robinhood Securities also remediated this issue.

53. From May 2022 until December 2023, Robinhood Securities mismarked over 4.5 million riskless principal orders (and in some instances principal orders) "short exempt" when it should have marked them short.

Suspicious Activity Reporting

Respondents Violated Exchange Act Section 17(a) and Rule 17a-8 by Failing to Timely File SARs

54. The Bank Secrecy Act ("BSA") and implementing regulations promulgated by the Financial Crimes Enforcement Network ("FinCEN") require that broker-dealers file a SAR to report any transaction (or pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating to at least $5,000 in funds or other assets that the broker-dealer knows, suspects or has reason to suspect: (i) involves funds derived from illegal activity as part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement; (ii) is designed to evade any requirements of the BSA or its implementing regulations; (iii) has no business or apparent lawful purpose and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (iv) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2) ("SAR Rule").

55. The BSA and its implementing regulations require the filing of a SAR no later than 30 calendar days after the date of the broker-dealer's initial detection of facts that may constitute a basis for filing a SAR. If no suspect is identified on the date of such initial detection, a broker-dealer may delay filing a SAR for an additional 30 calendar days to identify a suspect, but in no case shall reporting be delayed more than 60 calendar days after the date of such initial detection.

31 C.F.R. § 1023.320(b). Broker-dealers are generally permitted a period of time for an appropriate review before the 30-day clock begins to run, but are directed to begin that review promptly and complete it within a reasonable period of time. *The SAR Activity Review – Trends, Tips & Issues, Issue 15 – In Focus: The Securities and Futures Industry*, FinCEN (May 2009).

56. Exchange Act Rule 17a-8 requires broker-dealers registered with the Commission to comply with the reporting, recordkeeping, and record retention requirements of Chapter X of Title 31 of the Code of Federal Regulations, which contains the SAR Rule and other requirements. The failure to file SARs as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. *See SEC v. Alpine Sec. Corp.*, 308 F. Supp. 3d 775, 798-800 (S.D.N.Y. 2018), aff'd, 982 F.3d 68 (2d Cir. 2020), cert. denied, 142 S.Ct. 461 (2021).

57. Respondents, as registered broker-dealers, are subject to the SAR Rule. Respondents created an anti-money laundering ("AML") compliance group to fulfill their SAR-filing obligations and comply with other FinCEN rules.

58. Respondents had 5.1 million cumulative net funded accounts by the end of 2019, 12.5 million cumulative net funded accounts by the end of 2020, and 22.7 million cumulative net funded accounts by the end of 2021. However, Respondents did not update their AML program sufficiently to keep up with this growth.

59. For example, until mid-2021, in order to detect transactions that needed to be reported in SARs, Respondents relied on proprietary surveillance software and the rules that this software used to detect potentially suspicious transactions were not reasonably designed to achieve compliance with Respondents' SAR-filing requirements because they generated a large number of false positives, artificially increasing the number of alerts to be reviewed.

60. In addition, until mid-2021, Respondents' AML personnel relied on a collection of spreadsheets and shared folders to track and manage investigations into suspicious activity. As a result, Respondents' AML group's investigations were often inefficient.

61. Respondents also failed to assign appropriately experienced staff to handle their SAR-filing responsibilities.

62. Beginning in the first half of 2020, as Respondents experienced a growing volume of transactions, Respondents experienced a corresponding surge in the number of transactions that were flagged for review as potential suspicious activity. Respondents' AML group failed to promptly review all the transactions that were flagged as potentially suspicious.

63. By the end of 2020, Respondents had accumulated a backlog of more than 10,000 potentially suspicious transactions that had been flagged for review in order to make a SAR-filing determination but remained unresolved beyond the 45-day deadline in Respondents' internal policies. At that point, Respondents were filing SARs an average of 198 days after initially flagging a transaction for investigation.

64. Beginning in January 2021, Respondents made several improvements to their AML compliance functions. Respondents hired managers and other AML personnel with specialized

experience in investigating such activity. Respondents updated their procedures, implemented additional training and guidance for personnel, implemented a new system for tracking and managing investigations, and implemented a new transaction surveillance system.

65. By June 2021, Respondents were still filing SARs an average of 144 days after a potentially suspicious transaction had been flagged for review. By the end of 2021, Respondents were filing SARs an average of 125 days after a potentially suspicious transaction had been flagged for review. Respondents eliminated their backlog in or around June 2022.

66. As a result of the conduct described above, from January 2020 through March 2022, Respondents systematically failed to promptly initiate reviews of potentially suspicious transactions, to complete those reviews in a reasonable period of time, and to timely file SARs.

Identity Theft Prevention

Respondents Violated Regulation S-ID by Failing to have a Compliant Documented Identity Theft Prevention Program.

67. Rule 201 of Regulation S-ID requires registered broker-dealers that offer "covered accounts" to develop and implement a written identity theft prevention program ("Program") "designed to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account." 17 C.F.R. § 248.201(d)(1). The Program "must be appropriate to the size and complexity of the financial institution…and the nature and scope of its activities." *Id.* Respondents offer and maintain "covered accounts." The rule defines a "covered account" to include an account that a financial institution or creditor "offers or maintains, primarily for personal, family, or household purposes, that involves or is designed to permit multiple payments or transactions, such as a brokerage account with a broker-dealer." 17 C.F.R. § 248.201(b)(3)(i).

68. A Program must include reasonable policies and procedures to: (i) identify relevant identity theft red flags for the covered accounts that the financial institution or creditor maintains, and incorporate them into the Program; (ii) detect the red flags that have been incorporated into the Program; (iii) respond appropriately to any red flags that are detected to prevent and mitigate identity theft; and (iv) ensure that the Program is updated periodically, to reflect changes in risks to customers and to the safety and soundness of the financial institution or creditor from identity theft. 17 C.F.R. § 248.201(d)(2).

69. Firms must identify identity theft red flags that are appropriate to the size and complexity of their business and to the nature and scope of their activities, such as the types of covered accounts they offer or maintain, methods they provide to open covered accounts, methods they provide to access covered accounts, and their previous experiences with identity theft. 17 C.F.R. §§ 248.201(d)(1), (f); Appendix A to Subpart C of 17 C.F.R. Part 248. Appendix A to Regulation S-ID directs firms to incorporate relevant identity theft red flags from sources like past incidents of identity theft that the firm has experienced and methods of identity theft that the firm has identified. Appendix A also includes a non-comprehensive list of "illustrative examples" of identity theft red flags, which firms may consider incorporating into their Programs in addition to the sources described above.

70. From at least April 2019 through June 2022, Respondents' Program did not include reasonable written policies and procedures to identify relevant identity theft red flags or describe how such red flags were to be identified.

71. In 2020 and 2021, Respondents experienced a significant escalation in account takeovers. However, Respondents did not update their Program during this period to include identity theft red flags that were tailored to these incidents.

72. The identity theft red flags in Respondents' Program consisted substantially of the illustrative examples in Appendix A to Regulation S-ID, and some of them had little relevance to Respondents' business. For example, although Respondents did not accept checks or require customers to submit signature cards, one of the red flags listed in the Program was account information not matching "a signature card or recent check."

73. Respondents' Program also did not incorporate policies or procedures to ensure that it was updated periodically. The Program provided that it should be updated on an annual basis, but it was reviewed only once between April 2019 and the end of 2021. That review identified multiple problems with the Program, but Respondents did not immediately undertake the corrective actions outlined.

Unauthorized Access to Respondents' Systems

Respondents Violated Regulation S-P by Failing to Implement Procedures to Prevent Unauthorized Access to Robinhood Systems

74. On June 14, 2021, an unauthorized third party fraudulently persuaded a Robinhood employee to download remote access software onto a Robinhood computer and give the actor control of the computer. After the session was terminated, Respondents' security team investigated and found no evidence that the unauthorized third party had accessed any sensitive information pertaining to Respondents or their customers.

75. Respondents' security team subsequently determined that Respondents should implement a system for detecting and blocking the installation of unapproved remote access software on company computers. On or about June 28, 2021, when the team created its official incident report, it listed "Prevent & Detect remote desktop tooling" as a corrective action to be undertaken. However, while Respondents blocked the known digital signature of the remote desktop tool used in the incident, among other actions, Respondents did not block all unapproved remote access software on Robinhood computers until after November 3, 2021.

76. On November 3, 2021, another unauthorized third party perpetrated a similar attack on a different Robinhood employee. The third party called the employee from a spoofed Robinhood number and, posing as a Robinhood IT employee, persuaded the employee to download a different version of the same remote access software that had been used in the June 14 attack. After downloading the software, the employee gave the unauthorized third party, whom the Robinhood employee believed to be a Robinhood IT employee, remote access to her computer for approximately four hours.

77. After gaining access to the employee's computer, the unauthorized party accessed Respondents' confidential front-end systems. The unauthorized party obtained a list of email addresses for approximately five million people, and full names for a different group of approximately two million people. For a more limited number of people—approximately 310 in total—additional personal information, including name, date of birth, and zip code, was exposed, with a subset of approximately 10 customers having more extensive account details revealed.

78. The Safeguards Rule, Rule 30(a) of Regulation S-P, 17 C.F.R. § 248.30, requires covered entities, including broker-dealers registered with the Commission, to adopt written policies and procedures that address administrative, technical, and physical safeguards for the protection of customer records and information. Those policies and procedures must be reasonably designed to: (i) ensure the security and confidentiality of customer records and information; (ii) protect against any anticipated threats or hazards to the security or integrity of customer records and information; and (iii) protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer. Rule 30(a) of Regulation S-P, 17 C.F.R. § 248.30.

79. Respondents' policies and procedures were not reasonably designed to meet the requirements of the Safeguards Rule of Regulation S-P. Specifically, Respondents did not implement appropriate written policies and procedures reasonably designed to prevent unauthorized individuals from gaining access to certain of Respondents' systems with confidential customer information by remotely controlling employees' computers. By June 2021 at the latest, Respondents understood that malicious actors could potentially access confidential systems containing customer records and information via installations of unapproved remote access software on computers used by Respondents' personnel. Nonetheless, in November 2021, an unauthorized third party used remote access software to gain access to customer records and information, which could result in substantial harm or inconvenience to Respondents' customers.

Recordkeeping Requirements Under the Exchange Act

Respondents Failed to Preserve Communications and Corporate Records as Required by Exchange Act Section 17(a)(1) and Rules 17a-4(b)(4) and 17a-4(f)

A. Off-Channel Communications Failures

80. Section 17(a)(1) of the Exchange Act authorizes the Commission to issue rules requiring broker-dealers to make and keep for prescribed periods, and furnish copies of, such records as necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act.

81. The Commission adopted Rule 17a-4 under the Exchange Act pursuant to this authority. This rule specifies the manner and length of time that the records made in accordance with other Commission rules, and certain other records made by broker-dealers, must be maintained and produced promptly to Commission representatives. The rules adopted under Section 17(a)(1) of the Exchange Act, including Rule 17a-4(b)(4), require that broker-dealers preserve, for at least three years, the first two years in an easily accessible place, originals of all

communications received and copies of all communications sent relating to the broker-dealer business as such.

82. The Commission previously has stated that these and other recordkeeping requirements "are an integral part of the investor protection function of the Commission, and other securities regulators, in that the preserved records are the primary means of monitoring compliance with applicable securities laws, including antifraud provisions and financial responsibility standards." Commission Guidance to Broker-Dealers on the Use of Electronic Storage Media under the Electronic Signatures in Global and National Commerce Act of 2000 with Respect to Rule 17a-4(f), 17 C.F.R. Part 241, Exchange Act Rel. No. 44238 (May 1, 2001).

1. Respondents' Policies and Procedures

83. Respondents maintained certain policies and procedures designed to ensure the retention of business-related records, including electronic communications, in compliance with the relevant recordkeeping provisions.

84. Respondents' employees were advised that electronic business communications should only be accessed and transmitted through firm-sponsored systems, such as e-mail and a firm-approved instant messaging application. The use of unapproved electronic communications methods was not permitted, and employees were advised, including through the Respondents' training, that they should not use personal email, chats, or text messaging applications for business purposes.

85. Messages sent through approved communications methods were monitored, subject to review, and, when appropriate, archived. Messages sent through unapproved communications methods, such as WhatsApp, text messages, and other unapproved applications were generally not monitored, subject to review, or archived.

86. Respondents' policies were designed to address supervisors' supervision of employees' training in Respondents' communications policies and adherence to Respondents' books and recordkeeping requirements. Supervisory policies notified employees that electronic communications were subject to surveillance by Respondents.

87. Respondents, however, failed to implement a sufficient system reasonably expected to determine whether all employees, including supervisors, were following Respondents' policies and procedures. While permitting employees to use approved communications methods, including on personal phones, for business communications, Respondents failed to implement sufficient methods to reasonably determine that their policies were being followed.

2. Respondents' Recordkeeping Failures Across Their Brokerage Business

88. Respondents cooperated with the investigation conducted by the Commission's staff by voluntarily providing information about the communications of senior and other broker-dealer personnel. The Commission staff also reviewed certain text messages that Respondents had collected from various employees' phones.

89. The information provided by Respondents showed off-channel communications at various seniority levels within Respondents. Some of these personnel sent and received numerous off-channel communications involving other Respondents' personnel and other participants in the securities industry.

90. For example, during the relevant period, a senior Robinhood Securities officer exchanged numerous off-channel business-related messages with colleagues and other participants in the financial markets. In addition, during the relevant period, a senior Robinhood Financial officer exchanged numerous off-channel business-related messages with colleagues and other participants in the financial markets. These messages related to Respondents' broker-dealer businesses.

3. Respondents' Failure to Preserve Required Records Potentially Impacted Commission Matters

91. Between May 2019 and December 2022, Respondents received and responded to Commission subpoenas for documents and records requests in Commission investigations. By failing to maintain and preserve required records relating to their broker-dealer businesses, Respondents may have deprived the Commission of responsive communications in various investigations.

B. Non-Compliant Retention of Brokerage Data Repositories

92. Exchange Act Rules 17a-3 and 17a-4 require broker-dealers to make and retain books and records related to the operation of their business. These records include trading blotters, trade confirmations, records of customer statements, and other information central to the operation of a broker-dealer. Exchange Act Rule 17a-4(f) provides that if records required to be maintained and preserved subject to Rules 17a-3 and 17a-4 are maintained by means of "electronic storage media," such electronic storage media must preserve the records exclusively in a non-rewritable and non-erasable format during defined record retention periods. Broker-dealers often comply with this requirement by establishing "Write Once Read Many" (or "WORM") protocols for record retention.[3] WORM-compliant preservation of data ensures that brokerage data are stored in an immutable, auditable format.

93. Prior to December 2020, Respondents backed up certain operational data using WORM-compliant databases. However, in 2020, Respondents made changes to their operational databases and, as a result, the WORM backup no longer captured all of this data. Thereafter, certain operational databases including Respondents' (i) systems responsible for security order placement, accounting, and position tracking; (ii) system handling all cash movements; and (iii) database holding all customer and account information may not have been stored in a compliant format. From December 2020 through December 2023, Respondents created WORM-compliant

[3] In October 2022, the Commission adopted amendments to Rule 17a-4 that added the use of an audit trail as an alternative to the WORM requirement. During the Relevant Period, Respondents did not attempt to implement a system to comply with the audit-trail alternative in Rule 17a-4.

snapshots of these operational databases but retained those snapshots for retention periods that were insufficient to comply with Rule 17a-4.

94. In addition, for certain other data that Respondents generated, including customer statements, trade confirmations, and blue sheet reports, Respondents failed to maintain all of the data in a manner that preserves all modifications to and deletions of any record in a non-rewritable and non-erasable format for the required record retention periods until December 2023. Although Respondents used a cloud-based data storage service for these records that was configured in a WORM-compliant manner, the retention period was not properly set to comply with the recordkeeping requirements until December 2023.

C. Customer Email Communications and Account Notifications

95. In addition to failing to properly preserve off-channel communications, from March 2020 through March 2021, Respondents also failed to preserve certain email communications and account notifications that had been automatically generated and sent to customers based on templates ("Template Communications").

96. Respondents used a third-party software vendor to send Template Communications to their customers. In order to preserve these communications as required by Rule 17a-4(b)(4), Respondents would simultaneously send them to another third-party vendor to archive them.

97. In October 2020, Respondents notified the archiving vendor that certain Template Communications in March 2020 and August 2020 were not available in the archive. The archiving vendor investigated the matter and, in December 2020, notified Respondents that, on certain dates, the total number of Template Communications that Respondents had sent exceeded the ingestion limit for the archive. As a result, certain Template Communications had not been retained and could no longer be retrieved for archiving.

98. This issue occurred in March 2020, August 2020, September 2020, October 2020, January 2021, February 2021, and March 2021. Respondents estimate that, as a result of this problem, approximately 1.6 billion Template Communications were not preserved.

Respondents' Cooperation and Remedial Efforts

99. In determining to accept the Offer, the Commission considered Respondents' cooperation with the staff's investigation and remedial acts undertaken by Respondents as set forth below.

100. To remediate its failures related to EBS submissions, Robinhood Securities corrected the coding issues that caused the errors, updated its EBS validation and review processes, and revised its written supervisory procedures. Robinhood Securities is in the process of resubmitting corrected EBS to the Commission.

101. To remediate their failures related to their Identity Theft Prevention Program, Respondents have implemented and documented a new Program with red flags tailored to

Respondents' business and policies and procedures that provide for the Program to be updated periodically.

102. To remediate their failures related to unauthorized remote access of their systems, Respondents blocked the installation and use of remote access software on Respondents' devices to safeguard their systems from unauthorized remote access, implemented additional access controls for front-end systems containing customer information, and implemented updated trainings regarding social engineering.

103. To remediate their failures to promptly initiate reviews of potentially suspicious transactions and complete those reviews in a reasonable period of time, Respondents retained a consultant to review their procedures, upgraded their technology, increased their headcount and budget, hired managers and other personnel with relevant experience to investigate suspicious activity, revised their procedures for timely investigating and reporting such activity, implemented additional trainings and guidance for Respondents' personnel, implemented a new system for tracking and managing investigations, and implemented a new transaction surveillance system.

104. To remediate their failures to preserve as required records and communications related to their businesses as broker-dealers, Respondents revised their policies and procedures for compliance with recordkeeping requirements, implemented technological improvements, increased training, and engaged a consultant to review their systems and procedures for compliance with broker-dealer recordkeeping requirements under the Exchange Act.

Violations and Failure to Supervise

105. As a result of the conduct described above, Robinhood Securities and/or Robinhood Financial willfully violated the following provisions of the federal securities laws:

a. Robinhood Securities failed to furnish complete records to the Commission staff that were requested by the Commission in its EBS requests. Therefore, Robinhood Securities violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rule 17a-4(j) thereunder by failing to furnish promptly true and complete EBS information as requested by Commission staff over a period of more than five years. In addition, Robinhood Securities willfully violated Exchange Act Rule 17a-25 by failing to submit electronically certain securities transaction information to the Commission through the EBS system in response to requests made by the Commission;

b. Robinhood Securities violated Rule 200(g) of Reg SHO which requires a broker or dealer to mark sale orders in all equity securities as "long," "short," or "short exempt." An order to sell may be marked "long" only if the seller is deemed to own the security being sold, and either the security to be delivered is in the physical possession or control of the broker or dealer, or it is reasonably expected that the security will be in the physical possession or

control of the broker or dealer no later than the settlement of the transaction. Reg SHO Rule 200(g)(2) provides that a sale order shall be marked "short exempt" only if the provisions of Reg SHO Rule 201(c) or 201(d) are met;

c. Robinhood Securities violated Rule 203(b)(1) of Reg SHO, which prohibits a broker or dealer from accepting a short sale order in an equity security from another person or effecting a short sale in an equity security for its own account unless the broker or dealer has "(i) [b]orrowed the security, or entered into a bona-fide arrangement to borrow the security; or (ii) [r]easonable grounds to believe that the security [could] be borrowed so that it can be delivered on the date delivery is due; and (iii) [d]ocumented compliance" with those requirements;

d. Robinhood Securities violated Rule 204(a) of Reg SHO, which requires a participant of a registered clearing agency to deliver securities to a registered clearing agency for clearance and settlement on a long or short sale in any equity security by settlement date, or to close out a fail to deliver position resulting from a long or short sale transaction in that equity security within certain timeframes;

e. Respondents violated Rule 30(a) of Regulation S-P (17 C.F.R. § 248.30(a)), which requires every broker-dealer registered with the Commission to adopt written policies and procedures that are reasonably designed to address administrative, technical, and physical safeguards for the protection of customer records and information;

f. Respondents violated Rule 201 of Regulation S-ID (17 C.F.R. § 248.201), which requires registered broker-dealers that offer or maintain covered accounts to develop and implement a written Identity Theft Prevention Program that is designed to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account;

g. Respondents violated Section 17(a) of the Exchange Act and Exchange Act Rule 17a-8, which require broker-dealers to comply with the reporting, recordkeeping, and record retention requirements of Chapter X of Title 31 of the Code of Federal Regulations by failing to timely file SARs during the relevant period;

h. Respondents violated Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4(b)(4), which require a broker-dealer to preserve in a non-erasable format for at least three years, the first two years in an easily accessible place, originals of all communications received and copies of all communications sent relating to their business as such; and

i. Respondents violated Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4, which require broker-dealers to preserve documents and data required to be made pursuant to Exchange Act Rule 17a-3.

106. As a result of the conduct described above, Respondents failed reasonably to supervise their employees, with a view to preventing or detecting certain of their supervised persons' aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, within the meaning of Section 15(b)(4)(E).

Undertakings

A. Reg SHO Compliance

Respondent Robinhood Securities has undertaken to do the following:

107. Certification. Within seven (7) days of the entry of the Order, Robinhood Securities shall certify in writing that it has remediated the following deficiencies resulting in Robinhood Securities' mismarking of sale transactions and violation of the locate requirement:

a. Inability to calculate the firm's net position at time of sale order such that Robinhood Securities could make accurate order-marking determinations.

b. Mismarking Fractional Shares riskless principal orders "long" based on customer's underlying position, without regard to the firm's net position.

c. Mismarking Fractional Shares riskless principal orders "short exempt" when Robinhood Securities did not meet all conditions of Rule 201(d)(6).

d. Failing to fulfill the locate requirement for Fractional Trading and Recurring Orders principal short sale orders.

B. Off-Channel Communications

108. Prior to this action, Respondents enhanced their policies and procedures, and increased training concerning the use of approved communications methods, including on personal devices. In addition, Respondents have undertaken to:

109. Internal Audit. Within one hundred eighty (180) days of the entry of this Order, Respondents shall require that their Internal Audit function initiate an audit, to be completed within three hundred sixty-five (365) days of the entry of this Order consisting of the following:

a. A comprehensive review of Respondents' supervisory, compliance, and other policies and procedures designed to ensure that Respondents' electronic communications, including those found on personal electronic devices, including without limitation, cellular phones ("Personal Devices"), are

preserved in accordance with the requirements of the federal securities laws. This review should include, but not be limited to, a review of Respondents' policies and procedures to ascertain if they provide for any significant technology and/or behavioral restrictions that help prevent the risk of the use of unapproved communications methods on Personal Devices in work conditions (e.g., traveling, site visits).

b. A comprehensive review of training conducted by Respondents to ensure personnel are complying with the requirements regarding the preservation of electronic communications, including those found on Personal Devices, in accordance with the requirements of the federal securities laws, including by ensuring that Respondents' personnel certify in writing on a quarterly basis that they are complying with preservation requirements.

c. An assessment of the surveillance program measures implemented by Respondents to ensure compliance, on an ongoing basis, with the requirements found in the federal securities laws to preserve electronic communications, including those found on Personal Devices.

d. An assessment of the technological solutions that Respondents have begun implementing to meet the record retention requirements of the federal securities laws, including an assessment of the likelihood that Respondents' personnel will use the technological solutions going forward and a review of the measures employed by Respondents to track employee usage of new technological solutions.

e. A comprehensive review of the framework adopted by Respondents to address instances of non-compliance by Respondents' employees with their policies and procedures concerning the use of Personal Devices to communicate about Respondents' business in the past. This review shall include a survey of how Respondents determined which employees failed to comply with their policies and procedures, the corrective action carried out, an evaluation of who violated policies and why, what penalties were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

110. Recordkeeping. Respondents shall preserve, for a period of not less than five (5) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of compliance with these undertakings, including any materials supporting the certifications made pursuant to paragraph 111, below.

111. Certification. Respondents shall certify, in writing, compliance with the undertakings set forth above in paragraphs 109-110. The certification shall identify the undertakings and provide written evidence of compliance in the form of a narrative. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification shall be submitted to

Joseph Sansone, Chief, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004, or such other person as the Commission staff may request, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of completion of the undertakings.

In determining whether to accept the Offers, the Commission has considered these undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

A. Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act it is hereby ORDERED that:

a. Respondent Robinhood Securities cease and desist from committing or causing any violations and any future violations of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 promulgated thereunder.

b. Respondent Robinhood Securities cease and desist from committing or causing any violations and any future violations of Rules 200(g), 203(b)(1), and 204(a) of Reg SHO.

c. Respondents cease and desist from committing or causing any violations and any future violations of Rule 30(a) of Regulation S-P (17 C.F.R. § 248.30(a)).

d. Respondents cease and desist from committing or causing any violations and any future violations of Rule 201 of Regulation S-ID (17 C.F.R. § 248.201).

e. Respondents cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rules 17a-4, 17a-4(b)(4), and 17a-8 thereunder.

B. Respondents are censured.

C. Robinhood Financial shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of $11,500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

The penalty ordered against Robinhood Financial represents:

(1) $6,500,000 for its violations of Exchange Act Section 17(a) and Exchange Act Rule 17a-8,
(2) $4,000,000 for its violations of Exchange Act Section 17(a) and Exchange Act Rules 17a-4 and 17a-4(b)(4); and
(3) $1,000,000 for its violations of Rule 30(a) of Regulation S-P (17 C.F.R. § 248.30(a)) and Rule 201 of Regulation S-ID (17 C.F.R. § 248.201).

D. Robinhood Securities shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of $33,500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

The penalty ordered against Robinhood Securities represents:

(1) $7,000,000 for its violations of Section 17(a)(1) of the Exchange Act and Exchange Act Rules 17a-4(j) and 17a-25;
(2) $15,000,000 for its violations of Rules 200(g), 203(b)(1), and 204(a) of Reg SHO.
(3) $6,500,000 for its violations of Exchange Act Section 17(a) and Exchange Act Rule 17a-8,
(4) $4,000,000 for its violations of Exchange Act Section 17(a) and Rules 17a-4 and 17a-4(b)(4); and
(5) $1,000,000 for its violations of Rule 30(a) of Regulation S-P (17 C.F.R. § 248.30(a)) and Rule 201 of Regulation S-ID (17 C.F.R. § 248.201).

Payment must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch

HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Robinhood Financial and Robinhood Securities as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Joseph Sansone, Chief, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary