

in the Commonwealth; 4) censuring Respondent; 5) requiring Respondent to provide restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing; 6) requiring Respondent to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing; 7) requiring Respondent to engage an independent compliance consultant to review Respondent's platform, the underlying infrastructure, and its customer service system related to trading platform outages and disruptions; 8) requiring Respondent to engage an independent compliance consultant to review and enhance its policies and procedures related to the approval of options trading; 9) requiring Respondent to review its supervisory procedures to ensure compliance with applicable state and federal laws; 10) imposing an administrative fine on Respondent in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and 11) taking any such further action which may be in the public interest and necessary and appropriate for the protection of Massachusetts investors.

II. SUMMARY

The Enforcement Section brings this action against Robinhood for violations of Massachusetts law in connection with Robinhood's: 1) aggressive tactics to attract new, often inexperienced, investors; 2) failure to implement policies and procedures reasonably designed to prevent and respond to outages and disruptions on its trading platform; 3) use of strategies such as gamification to encourage and entice continuous and repetitive use of its trading application; 4) failure to follow its own written supervisory procedures regarding the approval of options trading; and 5) breach of the fiduciary conduct standard required by the Act and Regulations.

Since its founding in 2013, Robinhood has experienced a rapid growth in its customer base. Between 2016 and October 2018, Robinhood grew its customer accounts from approximately one million to approximately six million, a 500% increase. Between the end of 2019 and May 2020, Robinhood grew its customer accounts from approximately ten million to approximately thirteen million, an increase of 30% in only a few short months. As of December 8, 2020, Robinhood had 486,598 Massachusetts customer accounts with a total value of over \$1.6 billion.

During this period of exponential growth, Robinhood used advertising and marketing techniques that targeted younger individuals, including Massachusetts residents, with little, if any, investment experience. The median age of a Robinhood customer has been reported as 31 years old and approximately 68% of Massachusetts customers approved for options trading on the Robinhood platform identified as having no or limited investment experience.

Although successful in rapidly expanding its customer base, Robinhood failed to take adequate steps to set up internal controls to protect both its customers and its platform. For example, Robinhood failed to implement policies and procedures reasonably designed to prevent and respond to outages and disruptions on its trading platform. From January 1, 2020, through November 30, 2020, Robinhood experienced as many as seventy outages or disruptions on its trading platform. One of the most notable outages occurred March 2 and 3, 2020. On March 2, 2020, the Dow Jones Industrial Average experienced what was the largest point gain in its history at that time. However, Robinhood's trading platform collapsed at market opening on March 2, 2020, leaving its millions of customers unable to

benefit from the historic market gains. The collapsed platform remained inoperative for the entire day of March 2, 2020, and part of the day on March 3, 2020.

Robinhood knew or should have known well before March 2020 that the infrastructure of its trading platform was incapable of supporting its rapidly expanding customer base. However, Robinhood was plagued by outages or disruptions every month throughout the remainder of the year, including six in April 2020, 15 in June 2020, and seven in August 2020. Robinhood even admitted that the outages and disruptions on its trading platform were in part the result of a lack of sufficient infrastructure.

Despite its inability to maintain an adequate infrastructure, Robinhood continues to invite more and more customers to open accounts, and once these accounts are open, encourages customers to use the platform constantly. Once individuals become customers, Robinhood relentlessly bombards them with a number of strategies designed to encourage and incentivize continuous and repeated engagement with its application. The use of these strategies is often referred to as gamification: the application of typical elements of game playing to other activities, typically as a marketing technique to boost engagement with a product or service. Robinhood rewards customers with colorful confetti raining down their screens after executing trades on its application. In 2019, Robinhood rolled out a new cash management feature with an early access waitlist and utilized gamification to reward customers who interacted daily with the application by improving their positions on the waitlist. Customers who did not interact daily with the application watched their position on the waitlist precipitously decline, while those who succumbed to the psychological effects of Robinhood's gamification soared up and up the waitlist.

Robinhood gives customers the platform and tools to make potentially an unlimited number of trades. In an effort to encourage trading, Robinhood provides lists of securities on its application, including lists of the most-traded securities on Robinhood's platform and the most popular securities traded by Robinhood customers. This is no different from a broker-dealer agent handing a list of securities to a customer, pretending to be surprised when the customer purchases securities from that list, and then proclaiming that he made no recommendations to the customer. Robinhood gave hundreds of customers with limited or no investment experience the ability to make thousands of trades in a matter of months. At least 670 Robinhood customers with limited or no investment experience averaged at least five trades per day, with two customers averaging close to 100 trades per day. As one example, Robinhood allowed a customer with no investment experience to make more than 12,700 trades in just over six months.

While encouraging constant engagement with its platform, Robinhood failed to properly screen customer profiles and allowed thousands of inexperienced investors to engage in very risky trading activity. Robinhood failed to follow its own policies and procedures in place regarding the approval of options trading in customer accounts. In order to be approved for the lowest level of options trading, a customer must have both: (1) at least four filled orders or self-reported investment experience greater than none; and (2) self-reported medium or high risk tolerance. Robinhood inappropriately, and in violation of company policy, approved customers for options trading despite those customers having no investment experience and less than four trades on its platform. In fact, 340 customers had no investment experience and had not made a single trade on the platform prior to Robinhood approving them for options trading.

As a broker-dealer in Massachusetts, Robinhood has an obligation to protect its customers and their assets. However, its business model and lack of adequate procedures has put both customers and their assets at risk. By doing so, Robinhood has failed to comply with recently adopted standards of conduct for Massachusetts-registered broker-dealers. On March 6, 2020, the Division adopted amendments to its Regulations requiring broker-dealers registered in Massachusetts to meet a fiduciary conduct standard when dealing with their customers.¹ In order to meet their fiduciary duty, broker-dealers must adhere to duties of utmost care and loyalty to customers. The duty of care requires a broker-dealer or agent to use the attention, caution, and prudence that a reasonable person in the same circumstance would use. The duty of loyalty requires disclosure of material conflicts of interest, avoiding or eliminating conflicts of interest, and prioritization of the customer's interests.

For years, Robinhood has unscrupulously engaged in conduct that exposes Massachusetts investors to potential harm. Specifically, Robinhood has: targeted young individuals with little or no investment experience; lacked adequate infrastructure and, as a result, experienced repeated outages and disruptions on its trading platform; used gamification strategies to manipulate customers into continuous interaction and constant engagement with its application; encouraged inexperienced investors to execute trades frequently; and failed to follow its own written supervisory procedures when approving customers for options trading. This behavior has continued unabatedly ever since the adoption of the fiduciary conduct standard in Massachusetts. These actions do not represent the behavior of a fiduciary and are inconsistent with the duty Robinhood owes

¹ Enforcement of the fiduciary conduct standard began on September 1, 2020.

Massachusetts investors. By instituting this proceeding, the Enforcement Section charges Robinhood with aggressively targeting young, inexperienced investors, exposing Massachusetts investors and their assets to unnecessary trading risks, and falling far short of the fiduciary standard required of a broker-dealer registered in Massachusetts.

III. JURISDICTION AND AUTHORITY

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities pursuant to chapter 110A of Massachusetts General Laws.
2. The Enforcement Section brings this action pursuant to the authority conferred upon the Division by Sections 407A and 414 of the Act, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and the Regulations.
3. This proceeding is brought in accordance with Sections 204, 407A, and 414 of the Act.
4. The Enforcement Section reserves the right to amend this Complaint and bring additional administrative complaints to reflect information developed during the current and ongoing investigation.

IV. RELEVANT TIME PERIOD

5. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of December 1, 2017, through the present (the “Relevant Time Period”).

V. RESPONDENT

6. Robinhood Financial, LLC (“Robinhood”) is a broker-dealer with headquarters in California. Robinhood has a Financial Industry Regulatory Authority Central Registration

Depository number of 165998. Robinhood has been registered as a broker-dealer in Massachusetts since January 7, 2014.

VI. STATEMENT OF FACTS

A. Background

7. Robinhood is a limited liability company organized under the laws of Delaware with a principal place of business located at 85 Willow Road, Menlo Park, California.

8. Robinhood is a broker-dealer that offers commission-free trading for stocks and options.

9. In lieu of commissions and fees, Robinhood earns revenue through a process known as payment for order flow.

10. Payment for order flow is a process in which market makers or exchanges pay broker-dealers to route trades to the market maker or the exchange for execution. Therefore, the more trades Robinhood customers execute, the more revenue Robinhood receives from market makers or exchanges.

11. Since its founding in 2013, Robinhood has experienced exponential growth.

12. Robinhood grew its customer accounts from approximately one million in 2016 to approximately six million in October 2018, a growth of 500% over that time period.

13. As of the end of 2019, Robinhood had approximately ten million customer accounts.

14. By May 2020, only five months later, that number had grown by 30% to approximately thirteen million accounts.

15. As of December 8, 2020, Robinhood had 486,598 Massachusetts customer accounts with a total value of \$1,671,435,739.

B. Robinhood's Advertising Targets Younger Individuals with Little or No Investment Experience

16. Robinhood's stated mission is to "democratize finance for all."

17. In its attempt to "democratize" investing, Robinhood has targeted younger individuals with its advertising, many of whom have limited or no investment experience.

18. According to Robinhood, the median customer age is 31 years old.

19. Of the more than 71,744 Massachusetts residents that Robinhood identified as being approved for options trading during the Relevant Time Period, at least 14,439 customers had no investment experience and 34,374 customers had limited investment experience. These customers represent 68% of all Massachusetts residents approved for options trading.

20. Robinhood advertisements use young actors and illustrate Robinhood's attempt to lure young, inexperienced investors into using its platform to make investments.

21. For example, one such advertisement contains a clip of a young adult stating, "I'm a broke college student and investments might help my future tremendously."

22. In another example, another young adult says, "I didn't know anything about investing before I started using Robinhood. As soon as I set up my account I had a free stock, so I immediately was an investor. From there I was learning stuff as I went along. It was really simple. Download the app and see for yourself."

C. Robinhood Failed to Implement Policies and Procedures Reasonably Designed to Prevent and Respond to Outages and Disruptions on its Trading Platform

23. Despite its active attempts to grow its customer base, Robinhood failed to protect its customers by adequately maintaining and updating its platform infrastructure to support such growth.

24. Upon information and belief, Robinhood experienced as many as seventy outages or disruptions on its trading platform from January 1, 2020, through November 30, 2020, as a result of its failures. At least seven of these impacted the ability of Robinhood customers to access their accounts and purchase and sell securities.

25. Upon information and belief, Robinhood allowed its trading platform to be inoperative or disrupted for some period of time every month during the 2020 calendar year. In all but one month, Robinhood had at least several outages or disruptions. For example, Robinhood experienced 21 such events in March 2020, six in April 2020, 15 in June 2020, and seven in August 2020.

26. Several of the most impactful Robinhood outages occurred in March 2020. On March 2, 2020, the Dow Jones Industrial Average had what was then its largest one day gain in history, a gain of 1,290 points.

27. During this record-setting day, and on the following day, March 3, 2020, Robinhood experienced an almost two-day long outage that prevented customers from making trades in their accounts.

28. On March 9, 2020, amid a stock market plunge, Robinhood experienced another outage on its trading platform that prevented customers from making trades in their accounts for a portion of the day.

29. Robinhood knew or should have known that the infrastructure of its trading platform was not sufficient to support its rapidly expanding customer base.

30. During these outages or disruptions, Robinhood failed to properly serve its customers and address their concerns. For example, during the March 2, 2020, outage,

Robinhood's help center shut down completely, leaving customers unable to contact any Robinhood representative via telephone or e-mail.

31. Robinhood had inadequate policies and controls in place to keep customers informed of developments.

32. In company statements, Robinhood has admitted that at least a portion of the outages and disruptions on its trading platform were the result of a lack of sufficient "infrastructure."

33. Robinhood's failure to maintain an adequate technological infrastructure and a robust customer service system to support its rapidly expanding customer base directly impacted the ability of Massachusetts customers to make trades on Robinhood's platform, resulting in harm to Massachusetts investors that was both foreseeable and preventable.

D. Robinhood Provides Lists to Encourage Customers to Purchase Securities Without any Consideration of Suitability

34. Robinhood's application includes a "first list" that includes stocks "chosen based on their popularity on Robinhood's platform." This list is provided on the home screen of the application and is one of the first items that a new customer sees.

35. Robinhood's application provides a section titled "Popular Lists" that encourages customers to search for and make investments. The Popular Lists section includes the following lists of investment categories for Robinhood customers: (1) 100 Most Popular; (2) Top Movers; (3) Technology; (4) Food & Drink; (5) Finance; (6) ETFs; (7) Energy; (8) Entertainment; (9) Business; (10) Agriculture; (11) Automotive; (12) Upcoming Earnings; (13) Crypto; (14) Index ETFs; (15) Consumer Goods; (16) Tech, Media, & Telecom; (17) Consumer Services & Retail; (18) 2019 IPOs; (19) Real Estate; (20) Apparel & Accessories; (21) Cannabis; (22) Healthcare Supplies; (23) China; (24) Pharma; (25)

Energy & Water; (26) Healthcare; (27) Hospitality; (28) Manufacturing & Materials; (29) Healthcare Services; and (30) Banking.

36. The lists have the potential to influence the securities that new, unsophisticated customers with no investment experience purchase.

37. Despite providing these lists to all customers by default, Robinhood does not conduct a suitability analysis of the securities contained in the lists for customers.

38. Through these lists, Robinhood encourages customers, especially those with little or no investing experience, to purchase securities that other Robinhood customers purchase regardless of the suitability of the security.

39. By promoting securities through the use of lists without conducting suitability analyses for customers, Robinhood encouraged risky, unsuitable trading inconsistent with its obligations as a Massachusetts-registered broker-dealer.

E. Robinhood Employed a Number of Strategies to Encourage and Incentivize Customers to Engage Continuously and Repeatedly with its Application

40. Robinhood uses gamification strategies in order to lure customers into consistent participation and long-term engagement with its trading platform.

41. Each time a customer makes a trade on Robinhood's platform, confetti rains down on the screen of the application, instilling a sense of celebration and accomplishment as a result of simply buying or selling securities.

42. On October 8, 2019, Robinhood announced its new cash management feature along with a waitlist for Robinhood customers to sign up for early access when the program launched at a later date.

43. Robinhood assigned customers that joined the cash management waitlist a numbered position. Customers were able to view their numerical position in comparison to other customers on the waitlist.

44. Robinhood provided customers with the ability to improve their position on the early access waitlist by “tapping” a fake debit card displayed in the application up to 1,000 times per day. Customers’ positions on the waitlist were dependent upon how frequently they interacted with the Robinhood application and tapped on the fake debit card. Customers who failed to tap on the fake debit card daily would watch their position on the waitlist fall.

45. Robinhood displayed a message to customers who “tapped” 1,000 times in a day that they were “out of taps today! Come back tomorrow if you’re feeling tappy.” This encouraged Robinhood customers to interact with the application on a daily basis or watch while they fell to a lower position on the waitlist.

46. Robinhood uses the promise of free stock to lure new customers, highlighting the possibility to receive stocks such as “Microsoft, Visa, or Apple,” despite the low probability of Robinhood actually awarding shares of Microsoft, Visa, or Apple.

47. Robinhood gives existing customers the ability to earn up to \$500 per year in free stocks by recommending Robinhood to others.

48. Robinhood sends push notifications to customers to encourage interaction with the application and trading.

49. Customers receive daily push notifications regarding the change in value of stocks in their accounts.

50. A customer that has not yet traded in their account may receive a push notification that states: “Top Movers: Choosing stocks is hard. [flexing bicep emoji] Get started by checking which stock prices are changing the most.” Upon clicking on the push notification, the customer redirects to the aforementioned Top Movers list.

51. Customers may also receive a push notification that states, “Popular Stocks: Can’t decide which stocks to buy? [thinking emoji] Check out the most popular stocks on Robinhood.” Upon clicking on the push notification, the customer redirects to the aforementioned 100 Most Popular list.

52. Robinhood uses these gamification techniques to increase revenue by stimulating customers to interact with the application more frequently and thereby execute more trades.

53. By utilizing the tactics described above, Robinhood facilitated frequent, risky, and unsuitable trading in Massachusetts customer accounts.

F. Robinhood Successfully Encouraged Inexperienced Investors to Execute Trades Frequently on its Platform

54. Robinhood’s gamification techniques have resulted in many customers with little or no investment experience making a large number of trades on Robinhood’s platform.

55. During the Relevant Time Period, at least 241 Robinhood customers with no investment experience averaged at least 5 trades per day on Robinhood’s trading platform.

56. Since February 1, 2020, Customer One has made 12,748 trades with Robinhood, an average of approximately 92 trades per day during that timeframe. Customer One had no investment experience prior to trading with Robinhood.

57. Since April 1, 2020, Customer Two has made 7,317 trades with Robinhood, an average of approximately 75 trades per day during that timeframe. Customer Two had no investment experience prior to trading with Robinhood.

58. Since April 1, 2020, Customer Three has made 5,674 trades with Robinhood, an average of approximately 58 trades per day during that timeframe. Customer Three had no investment experience prior to trading with Robinhood.

59. Since June 1, 2020, Customer Four has made 2,141 trades with Robinhood, an average of approximately 38 trades per day during that timeframe. Customer Four had no investment experience prior to trading with Robinhood.

60. Since February 1, 2020, Customer Five has made 3,988 trades with Robinhood, an average of approximately 29 trades per day during that timeframe. Customer Five had no investment experience prior to trading with Robinhood.

61. Since December 1, 2017, Customer Six has made 18,622 trades with Robinhood, an average of approximately 27 trades per day during that timeframe. Customer Six had no investment experience prior to trading with Robinhood.

62. Since May 1, 2020, Customer Seven has made 2,005 trades with Robinhood, an average of approximately 26 trades per day during that timeframe. Customer Seven had no investment experience prior to trading with Robinhood.

63. Since June 1, 2009, Customer Eight has made 7,811 trades with Robinhood, an average of approximately 25 trades per day during that timeframe. Customer Eight had no investment experience prior to trading with Robinhood.

64. Since October 1, 2018, Customer Nine has made 11,772 trades with Robinhood, an average of approximately 25 trades per day during that timeframe. Customer Nine had no investment experience prior to trading with Robinhood.

65. Since March 1, 2020, Customer Ten has made 2,940 trades with Robinhood, an average of approximately 25 trades per day during that timeframe. Customer Ten had no investment experience prior to trading with Robinhood.

66. Since April 1, 2020, Customer Eleven has made 2,342 trades with Robinhood, an average of approximately 24 trades per day during that timeframe. Customer Eleven had no investment experience prior to trading with Robinhood.

67. Since May 1, 2020, Customer Twelve has made 1,653 trades with Robinhood, an average of approximately 22 trades per day during that timeframe. Customer Twelve had no investment experience prior to trading with Robinhood.

68. Since March 1, 2020, Customer Thirteen has made 2,576 trades with Robinhood, an average of approximately 22 trades per day during that timeframe. Customer Thirteen had no investment experience prior to trading with Robinhood.

69. Since March 1, 2020, Customer Fourteen has made 2,275 trades with Robinhood, an average of approximately 19 trades per day during that timeframe. Customer Fourteen had no investment experience prior to trading with Robinhood.

70. Since March 1, 2020, Customer Fifteen has made 2,234 trades with Robinhood, an average of approximately 19 trades per day during that timeframe. Customer Fifteen had no investment experience prior to trading with Robinhood.

71. Since May 1, 2019, Customer Sixteen has made 6,132 trades with Robinhood, an average of approximately 19 trades per day during that timeframe. Customer Sixteen had no investment experience prior to trading with Robinhood.

72. Since March 1, 2020, Customer Seventeen has made 2,204 trades with Robinhood, an average of approximately 19 trades per day during that timeframe. Customer Seventeen had no investment experience prior to trading with Robinhood.

73. Since May 1, 2020, Customer Eighteen has made 1,398 trades with Robinhood, an average of approximately 18 trades per day during that timeframe. Customer Eighteen had no investment experience prior to trading with Robinhood.

74. Since June 1, 2020, Customer Nineteen has made 984 trades with Robinhood, an average of approximately 18 trades per day during that timeframe. Customer Nineteen had no investment experience prior to trading with Robinhood.

75. Since December 1, 2019, Customer Twenty has made 3,146 trades with Robinhood, an average of approximately 17 trades per day during that timeframe. Customer Twenty had no investment experience prior to trading with Robinhood.

76. Since February 1, 2020, Customer Twenty-One has made 2,386 trades with Robinhood, an average of approximately 17 trades per day during that timeframe. Customer Twenty-One had no investment experience prior to trading with Robinhood.

77. Since December 1, 2017, Customer Twenty-Two has made 11,790 trades with Robinhood, an average of approximately 17 trades per day during that time frame. Customer Twenty-Two had no investment experience prior to trading with Robinhood.

78. Since March 1, 2020, Customer Twenty-Three has made 2,048 trades with Robinhood, an average of approximately 17 trades per day during that timeframe. Customer Twenty-Three had no investment experience prior to trading with Robinhood.

79. Since March 1, 2019, Customer Twenty-Four has made 5,630 trades with Robinhood, an average of approximately 15 trades per day during that timeframe. Customer Twenty-Four had no investment experience prior to trading with Robinhood.

80. Since August 1, 2019, Customer Twenty-Five has made 3,974 trades with Robinhood, an average of approximately 15 trades per day during that timeframe. Customer Twenty-Five had no investment experience prior to trading with Robinhood.

81. Robinhood profited by allowing inexperienced Massachusetts investors to trade without limitation on its platform.

G. Robinhood Failed to Supervise the Review and Approval of Options Trading in Customer Accounts

82. Robinhood utilizes an automated process, approved by a registered principal, in order to approve customers for options trading. Accounts approved for options trading are subject to review through a manual spot-checking process.

83. In order to gain approval for level 2 options trading, the lowest level of options trading that Robinhood offers, customers must have both: (1) at least four filled orders or self-reported investment experience greater than none; and (2) self-reported medium or high risk tolerance. The customer must also have a margin account.

84. Robinhood approved at least 680 Massachusetts customers that did not meet the requisite criteria for options trading.

85. By approving Massachusetts customers that did not meet the required criteria under its policies and procedures, Robinhood failed in its duty to supervise the review and approval of options trading in customer accounts, including those in Massachusetts.

H. Robinhood Failed to Meet the Fiduciary Duty it Owes its Customers

86. On March 6, 2020, the Division adopted amendments to its Regulations applying a fiduciary conduct standard to broker-dealers registered in Massachusetts. Enforcement of the fiduciary conduct standard began on September 1, 2020.

87. To meet the fiduciary duty, broker-dealers must adhere to duties of utmost care and loyalty to customers. The duty of care requires a broker-dealer to use the care, skill, prudence, and diligence that a person acting in a like capacity and familiar with such matters would use, taking into consideration all of the relevant facts and circumstances. The duty of loyalty requires a broker-dealer to: 1) disclose all material conflicts of interest; 2) make all reasonably practicable efforts to avoid conflicts of interest, eliminate conflicts that cannot reasonably be avoided, and mitigate conflicts that cannot reasonably be avoided or eliminated; and 3) make recommendations and provide investment advice without regard to the financial or any other interest of any party other than the customer.

88. By failing to implement policies and procedures reasonably designed to prevent and respond to outages and disruptions on its trading platform, Robinhood failed to protect its customers and their assets adequately.

89. By providing lists to encourage customers to purchase securities without any consideration of suitability, Robinhood failed to consider the investment experience or objectives of its customers.

90. By employing a number of strategies to encourage and incentivize customers to engage continuously and repeatedly with the Robinhood application, Robinhood facilitated frequent, risky, and unsuitable trading in Massachusetts customer accounts.

91. Similarly, by successfully encouraging inexperienced investors to continuously and repeatedly execute trades on its platform, Robinhood prioritized its revenue over the best interests of its customers.

92. By approving customers for options trading that did not meet the necessary criteria, Robinhood violated its own written policies and procedures.

93. By inviting and enticing customers to use its platform in the manner that Robinhood does, without sufficiently robust policies and procedures in place, Robinhood failed to act in the best interests of its customers. Instead, Robinhood exploited its customers in pursuit of higher profits.

94. Robinhood failed to bring its behavior in line with the obligations required by the Massachusetts fiduciary conduct standard.

95. Robinhood's aggressive advertising and marketing led to the exponential growth of its customer accounts and assets. Robinhood focused on its own growth and revenue at the expense of its customers, including those in Massachusetts, and its business practices are inconsistent with the duties of utmost care and loyalty it owes its customers.

VII. VIOLATIONS OF LAW

Count I – Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G)

96. Section 204(a)(2)(G) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds ... (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business[.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

97. The Enforcement Section re-alleges and incorporates the allegations of fact set forth in Section VI above.

98. The conduct of Respondent, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

Count II – Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G)

99. Section 204(a)(2)(G) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds ... (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business[.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

100. 950 MASS. CODE REGS. 12.207(1)(a) provides:

The following practices are a non-exclusive list of practices by a broker-dealer or agent which shall be deemed "unethical or dishonest conduct or practices" for purposes of M.G.L. c. 110A, § 204(a)(2)(G):

(a) Failing to act in accordance with a fiduciary duty to a customer when providing investment advice or recommending an investment strategy, the opening of or transferring of assets to any type of account, or the purchase, sale, or exchange of any security.

950 MASS. CODE REGS. 12.207(1)(a).

101. The Enforcement Section re-alleges and incorporates the allegations of fact set forth in Section VI above.

102. The conduct of Respondent, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

Count III – Violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J)

103. Section 204(a)(2)(J) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds ... (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

104. The Enforcement Section re-alleges and incorporates the allegations of fact set forth in Section VI above.

105. The conduct of Respondent, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

VIII. STATUTORY BASIS FOR RELIEF

Section 407A of the Act provides:

(a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].

MASS. GEN. LAWS ch. 110A, § 407A.

IX. PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Massachusetts investors for the Director to enter an order finding that such “action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this chapter [MASS. GEN. LAWS ch. 110A].”

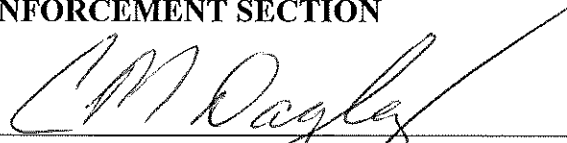
X. RELIEF REQUESTED

The Enforcement Section of the Division requests that an order be entered:

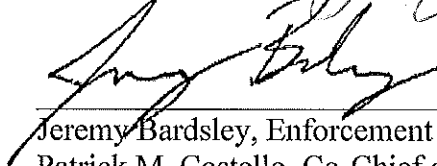
- A. Finding as fact all allegations set forth in Section VI of the Complaint;
- B. Finding that all the sanctions and remedies detailed herein are in the public interest and necessary for the protection of Massachusetts investors;
- C. Requiring Respondent to permanently cease and desist from further conduct in violation of the Act and Regulations in the Commonwealth;
- D. Censuring Respondent;
- E. Requiring Respondent to provide restitution to fairly compensate investors for those losses attributable to the alleged wrongdoing;
- F. Requiring Respondent to disgorge all profits and other direct or indirect remuneration received from the alleged wrongdoing;
- G. Requiring Respondent to engage an independent compliance consultant to review Respondent’s platform, the underlying infrastructure, and its customer service system related to trading platform outages and disruptions;
- H. Requiring Respondent to engage an independent compliance consultant to review and enhance its policies and procedures related to the approval of options trading;

- I. Requiring Respondent to review its supervisory procedures to ensure compliance with applicable state and federal laws;
- J. Imposing an administrative fine on Respondent in such amount and upon such terms and conditions as the Director or Presiding Officer may determine; and
- K. Taking any such further action which may be in the public interest and necessary and appropriate for the protection of Massachusetts investors.

**MASSACHUSETTS SECURITIES DIVISION
ENFORCEMENT SECTION**



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