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SECURITIES REGULATORS ANNOUNCE SETTLEMENT WITH ROBINHOOD FOR

Search

[INDUSTRY RESOURCES](#)

[INVESTOR EDUCATION](#)

[Home](#) > [Newsroom](#) > [News Releases](#) > [State Securities Regulators Announce \\$10 Million Settlement with Robinhood for Failing Investors](#)

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State Securities Regulators Announce \$10 Million Settlement with Robinhood for Failing Investors

WASHINGTON, D.C. – (April 6, 2023) – The North American Securities Administrators Association (NASAA) today said Robinhood Financial LLC will pay up to \$10.2 million in penalties for operational and technical failures that harmed main street investors.

The settlement stems from an investigation spearheaded by state securities regulators in Alabama, Colorado, California, Delaware, New Jersey, South Dakota and Texas regarding Robinhood’s operational failures with respect to the retail market.

The investigation was sparked by Robinhood platform outages in March 2020, a time when hundreds of thousands of investors were relying on the Robinhood app to make trades. In addition, prior to March 2021, there were deficiencies at Robinhood in its review and approval process for options and margin accounts, weaknesses in the firm’s monitoring and reporting tools, and insufficient customer service and escalation protocols that in some cases left Robinhood users unable to process trades even as the value of certain stocks was dropping.

“Today’s multistate agreement represents states at their best – working together for the benefit of Main Street investors,” said NASAA President



Andrew Hartnett. "Robinhood repeatedly failed to serve its clients, but this

settlement makes clear that Robinhood must take its customer care obligations seriously and correct these deficiencies."

The order sets out the following violations:

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ABOUT EVENTS POLICY EXAMS NEWSROOM
INDUSTRY RESOURCES INVESTOR EDUCATION

- Negligent dissemination of inaccurate information to customers, including regarding margin and risk associated with multi-leg option spreads.

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- Failure to have a reasonably designed customer identification program.
- Failure to supervise technology critical to providing customers with core broker-dealer services.
- Failure to have a reasonably designed system for dealing with customer inquiries.
- Failure to exercise due diligence before approving certain option accounts.
- Failure to report all customer complaints to FINRA and state securities regulators, as may be required.

Robinhood neither admits nor denies the findings as set out in the States' orders.

Robinhood will provide access to a FINRA-ordered compliance implementation report to settling states. Robinhood retained an independent compliance consultant who made recommendations for remediation, which Robinhood has generally implemented.

One year after the settlement date, Robinhood will attest to the lead state, Alabama, that it is in full compliance with the FINRA-ordered independent compliance consultant's recommendations or has otherwise instituted measures that are more effective at addressing the recommendations.

"Today's agreement reflects the ongoing efforts by state securities regulators to protect investors and make sure that they are treated fairly by financial services firms," said Joseph P. Borg, Director of the Alabama Securities Commission.



Borg noted that state securities regulators found no evidence of willful or fraudulent conduct by Robinhood, and that Robinhood fully cooperated with the investigation.

Hartnett and Borg thanked the staff members of the Alabama Securities Commission and the members of the NASAA working group for their invaluable assistance to successfully complete the investigation and negotiations: Jonathan Block, Chief Investigator, Colorado Division of Securities; Joseph Borg, Director, Alabama Securities Division; Tung Chan, Securities Commissioner, Colorado Division of Securities; Jeffrey Eaby, Chief Examiner, Colorado Division of Securities; Robert Finke, Colorado Office of the Attorney General; Rachel Glasgow, New Jersey Bureau of Securities; Travis Jordan, Assistant Director, South Dakota Division of Insurance – Securities Regulation; Amy Kopleton, Acting Bureau Chief, New Jersey Bureau of Securities; Ricky Locklar, Senior Special Agent, Alabama Securities Division; Lindsay Nasshorn, Deputy Director of Investor Protection, Delaware Department of Justice; Joanne Ross, Senior Counsel, California Department of Financial Protection and Innovation; Joseph Rotunda, Director, Enforcement Division, Texas State Securities Board; Frank Scollan, Senior Counsel, California Department of Financial Protection and Innovation; and Bobby Sharp, Special Agent, Alabama Securities Division.

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About NASAA:

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of the securities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, the 13 provincial and territorial securities regulators in Canada, and the securities regulator in México. For more information, visit www.nasaa.org.

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A vertical stack of four social media icons: Facebook (f), Twitter (bird), LinkedIn (in), and Email (envelope). Below these icons is a circular icon containing a right-pointing arrow.

Fred Baldassaro, Director of Communications

fbaldass@nasaa.org | 202-737-0900

Karon Grajales, Communications and Investor Outreach Manager

kgrajales@nasaa.org | 202-737-0900

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[INDUSTRY RESOURCES](#) [INVESTOR EDUCATION](#)

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NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

750 First Street NE, Suite 990
Washington, DC 20002
202-737-0900

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