

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017056224001**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Robinhood Financial, LLC, Respondent
CRD No. 165998

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Robinhood Financial, LLC ("Robinhood," the "Firm" or "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Robinhood hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Robinhood has been a FINRA member firm since October 14, 2013. Robinhood is headquartered in Menlo Park, California, maintains one additional branch office, and employs approximately 116 registered persons. Robinhood offers commission-free online trading for retail investors.

RELEVANT DISCIPLINARY HISTORY

Robinhood has no relevant disciplinary history with the Securities and Exchange Commission ("SEC"), any state securities regulator or self-regulatory organization.

OVERVIEW

From October 1, 2016 through November 9, 2017 (the “Review Period”), Robinhood offered its customers the ability to trade in equity securities without being charged commissions. Prior to mid-September 2016, Robinhood routed all of its customers’ non-directed equity orders¹ to its clearing broker. By October 2016, Robinhood transitioned away from routing to its clearing broker and began primarily routing to three other large broker-dealers that provide execution services. Thus, during the Review Period, Robinhood routed its customers’ non-directed equity orders to four broker-dealers, including its clearing broker, for execution, all of which paid Robinhood for that order flow. Robinhood, however, did not exercise reasonable diligence to ascertain whether these four broker-dealers provided the best market for the subject securities to ensure its customers received the best execution quality from these as compared to other execution venues. In addition, the Firm did not systematically review certain order types, and it failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with its best execution obligations under FINRA’s rules.

By virtue of the foregoing, Robinhood violated FINRA Rules 5310(a), 5310.09, 3110(a) and (b) and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter resulted from FINRA’s review of the Firm’s order routing practices for equity order flow.

1. The Firm’s Routing of Equity Orders

Robinhood provides online trading for retail investors and offers customers commission-free trading when using the Firm’s on-line mobile trading application or website to submit orders to trade in U.S. listed and over-the-counter securities.

Prior to mid-September 2016 (*i.e.*, a few weeks before the Review Period), Robinhood routed all its non-directed retail order flow to its clearing broker. By October 2016, Robinhood transitioned away from solely routing to its clearing broker and began to primarily route to three additional broker-dealers.

During the relevant time period, Robinhood routed customers’ non-directed equity orders for execution to broker-dealers that paid Robinhood for that order

¹ A non-directed order is an order where the customer does not provide instructions as to the market venue where the customer wants the order to be sent for execution (*i.e.*, the choice of execution venue is determined by the broker-dealer receiving the order). *Compare* Rule 600(b)(20) of Regulation NMS (defining a directed order as “an order from a customer that the customer specifically instructed the broker or dealer to route to a particular venue for execution”) to Rule 600(b)(49) of Regulation NMS (defining a non-directed order as any order from a customer other than a directed order”).

flow. This arrangement is known as “payment for order flow.”² Accordingly, although Robinhood provided commission-free trading to its customers, it nevertheless received compensation for that trading through its payment for order flow model.

2. *Best Execution Obligations*

Best execution of customer orders is a key investor protection requirement that is codified in FINRA Rule 5310 and its Supplementary Material.³ This requirement echoes longstanding principles associated with the duty of best execution broker-dealers owe to customers that arises, in part, from common law agency duties of loyalty that predate the federal securities law.⁴

a. FINRA Rule 5310’s Best Execution Requirements

FINRA Rule 5310(a) provides that, in any transaction for or with a customer or a customer of another broker-dealer, a member and persons associated with a member shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

Where, as in this matter, customer orders are routed away for execution, member firms generally can satisfy their best execution obligations by conducting either an order-by-order review of execution quality or a “regular and rigorous review.”⁵

On May 31, 2012, FINRA codified a firm’s obligations when it undertakes a “regular and rigorous review” in Rule 5310’s Supplementary Material .09. Supplementary Material .09(a) requires members that route customer orders to other broker-dealers for execution on an automated, non-discretionary basis to have procedures in place to ensure the member conducts regular and rigorous

² Rule 10b-10(d)(8) of the Securities Exchange Act of 1934 defines payment for order flow as including any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker/dealer from any broker/dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders to any such entities.

³ See FINRA Regulatory Notice 15-46 (Nov. 2015) (“NTM 15-46”) at 1 (“[I]n light of the increasingly automated nature of the equities, options and fixed income markets, firms need to regularly review their systems and procedures relating to obtaining best execution for their customers’ orders.”).

⁴ See *Newton v. Merrill, Lynch, Pierce, Fenner & Smith*, 135 F.3d 266, 270 (3rd Cir. 1998) (“The duty of best execution, which predates the federal securities laws, has its roots in the common law agency obligations of undivided loyalty and reasonable care that an agent owes to his principal.”); NTM 15-46 at 2 (citing the *Newton* case, and other sources, for the same principle and noting that this duty of best execution subsequently also has been incorporated explicitly in FINRA rules).

⁵ *But see* NTM 15-46 at 3 (noting that regular and rigorous reviews alone may not satisfy best execution requirements in all such situations, including when routing larger-sized orders in any security, given the judgment involved in handling such orders.)

reviews of the quality of the executions of its customers' orders if it does not conduct an order-by-order review. The review must be conducted on a security-by-security and type-of-order basis (*e.g.*, limit order, market order, and market on open order) on at least a quarterly basis.⁶ The Supplementary Material also clarifies that firms should consider, based on their business, whether more frequent reviews are needed.

In conducting regular and rigorous reviews, Supplementary Material .09(b) states that a member must determine whether any material differences in execution quality exist among the markets trading the security and, if so, modify the member's routing arrangements or justify why it is not modifying its routing arrangements. To assure that order flow is directed to markets providing the most beneficial terms for its customers' orders, the member must compare, among other things, the quality of the executions the member is obtaining via current order routing and execution arrangements (including the internalization of order flow) to the quality of the executions that a member could obtain from competing markets.

Supplementary Material .09(b) also identifies certain factors (the "5310.09(b) factors") that should be considered in reviewing and comparing the execution quality of the member's current order routing and execution arrangements to the execution quality of other markets. These factors include: (1) price improvement opportunities (*i.e.*, the difference between the execution price and the best quotes prevailing at the time the order is received by the market);⁷ (2) differences in price disimprovement (*i.e.*, situations in which a customer receives a worse price at execution than the best quotes prevailing at the time the order is received by the market); (3) likelihood of execution of limit orders; (4) speed of execution; (5) size of execution; (6) transaction costs; (7) customer needs and expectations; and (8) existence of internalization or payment for order flow.

b. Regulatory Guidance Surrounding Payment For Order Flow

The SEC has stated that, "a broker-dealer must not allow a payment or an inducement for order flow to interfere with its efforts to obtain best execution."⁸ While noting that bulk order routing "based, in part, on the receipt of payment for

⁶ For example, NTM 15-46, states that, for non-marketable orders, "firms should regularly review their routing decisions as well as the policies and procedures in place regarding the monitoring of non-marketable orders to ensure their best execution obligations are met."

⁷ Price improvement includes situations where an execution is available at a price that is better than existing quotations. For example, Rule 600(b)(29) of Regulation NMS defines the phrase "executed with price improvement" as meaning, "for buy orders, executions at a price lower than the national best offer at the time of order receipt and, for sell orders, executions at a price higher than the national best bid at the time of order receipt." 17 C.F.R. § 242.600(b)(29).

⁸ Payment for Order Flow, Exchange Act Release No. 34902, 59 Fed. Reg. 55006, 1994 SEC LEXIS 3330, at *20 (Oct. 27, 1994) ("Payment for Order Flow Release").

order flow is not, in and of itself, a violation” of a broker-dealer’s duties of best execution, the SEC also has expressed its concern that “the availability of payments in return for order flow commitments may influence the evaluation by a broker-dealer of the most advantageous market or market maker to whom to route its customer order.”⁹ Accordingly, FINRA also has emphasized that, “Given the potential conflict between the receipt of payment for order flow . . . and the duty of best execution, a firm should carefully evaluate its receipt of payment for order flow and the impact of such practices on execution quality.”¹⁰ For example, NTM 15-46 reminds broker-dealers that, “the possibility of obtaining price improvement on an order is a heightened consideration when the broker-dealer is receiving payment for order flow.”¹¹

3. ***Robinhood’s Reviews of Customer Executions Did Not Meet the Reasonable Diligence Standard Required by the Best Execution Rule***

Robinhood maintained a Best Execution Committee that was responsible for the oversight and performance of reviews the Firm conducted for best execution. The Best Execution Committee generally met monthly and included individuals from trading, technology, business development and senior management. The Best Execution Committee decided where customers’ orders were routed for execution. A subset of Best Execution Committee members also met informally on a more frequent (typically weekly) basis to discuss various subjects, including execution quality and other routing matters, and assessed whether any issue should be elevated for the full Best Execution Committee’s consideration.

By the beginning of the Review Period, Robinhood had increased the number of destinations to which it routed customer equity orders from one to four broker-dealers. The Firm also engaged in some discussions with several other market venues, and ultimately Robinhood changed one of its four routing venues in October 2017 toward the end of the Review Period.¹²

Nevertheless, during the Review Period, Robinhood did not meet the reasonable diligence standard required by FINRA’s best execution rule for several reasons. In particular, Robinhood did not reasonably consider the quality of executions that the Firm could obtain from alternative markets compared to the execution venues it used. Although the Best Execution Committee materials included occasional references to five other broker-dealers and one securities exchange as potential alternative routing venues during the Review Period, with one limited exception, they contained no substantive information concerning, or evaluation of, the

⁹ Payment for Order Flow Release, at n.28.

¹⁰ NTM 15-46 at 6.

¹¹ NTM 15-46 at 6.

¹² The Firm also added two additional routing venues within a year after the Review Period.

execution quality of those venues.¹³ Instead, Robinhood's Best Execution Committee materials focused only on the execution quality of its pre-existing routing destinations. Consequently, the Firm did not perform underlying execution quality analysis of competing markets relative to the Firm's current routing arrangements under the Rule 5310.09(b) factors (such as price improvement opportunities).

In addition, the Firm did not perform systematic best execution reviews of nonmarketable limit orders,¹⁴ stop orders,¹⁵ orders received outside regular trading hours and residual fills of partially executed Good-Till-Canceled Orders beyond the day a portion of the order was initially filled (the "Excluded Order Types").¹⁶ The Excluded Order Types fell outside the Firm's statistical execution quality analysis of its pre-existing routing venues' handling of retail order flow. Accordingly, hundreds of thousands of orders each month fell outside the Firm's "regular and rigorous" review process.

Consequently, a variety of 5310.09(b) factors, such as price improvement opportunities, differences in price disimprovement, and the speed of execution of certain orders, were not reviewed in connection with a substantial portion of Robinhood's retail order flow. Furthermore, the Firm's periodic reviews did not systematically consider the likelihood of execution of limit orders generally (whether marketable or nonmarketable), or fill rates overall, even though notable proportions of certain orders went unfilled. As a result millions of the Firm's customer orders fell outside the Firm's regular and rigorous reviews. The Firm also did not have written procedures related to or addressing how it performed its "regular and rigorous" reviews or reviewed non-marketable orders for best execution purposes.¹⁷

By virtue of the foregoing, the Firm violated FINRA Rules 5310(a), 5310.09, and 2010.

¹³ The only exception involved the month of September 2017, when the Best Execution Committee materials contained statistical information of execution quality of two alternative markets.

¹⁴ Regulation NMS under the Securities Exchange of 1934 defines a marketable limit order as any buy order with a limit price equal to or greater than the national best offer at the time of order receipt, or any sell order with a limit price equal to or less than the national best bid at the time of order receipt. 17 C.F.R. § 242.600(b)(40). It defines a nonmarketable limit order as "any limit order other than a marketable limit order." 17 C.F.R. § 242.600(b)(50).

¹⁵ A stop order is an order to buy or sell a security once the price of the security reaches a specified price, known as the "stop price." When the stop price is reached, the order automatically converts into a market order.

¹⁶ A Good-Till-Canceled Order remains in effect until it is executed or canceled by the customer. This contrasts with a day order that expires at the end of the trading day it was placed if it is not executed.

¹⁷ Following the Review Period, the Firm adopted a Best Execution Committee charter; updated the materials reviewed by the Best Execution Committee; utilized an independent provider of best execution analytics software; and hired a best execution manager.

4. *Robinhood Did Not Reasonably Supervise for Best Execution*

FINRA Rule 3110(a) requires each member to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules, including but not limited to, the establishment and maintenance of written procedures as prescribed by FINRA Rule 3110(b).

FINRA Rule 3110(b) requires each member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules.

The Firm's supervisory system was not reasonably designed to achieve compliance with FINRA Rule 5310 and Supplementary Material .09, because the Firm's supervisory reviews for best execution, including its periodic reviews overseen by its Best Execution Committee, disregarded several order types and factors set forth in FINRA Rule 5310.09(b).

Robinhood's written supervisory procedures concerning best execution and its "regular and rigorous" reviews merely recited the regulatory requirements. They provided no description of the Firm's supervisory system or guidance as to how the Firm should supervise to achieve compliance with those requirements. The written supervisory procedures also were inaccurate in that they indicated that Robinhood relied on the "regular and rigorous" reviews that were being conducted by the broker-dealers to which the Firm routed orders, when, in fact, the Firm had discontinued this practice prior to the Review Period.¹⁸

By virtue of the foregoing, the Firm violated FINRA Rules 3110(a) and (b) and 2010.

B. The Firm also consents to the imposition of the following sanctions:

1. a censure;
2. a fine in the amount of \$1,250,000; and
3. the Firm shall:
 - a. Retain at its own expense one or more qualified independent consultants (the "Independent Consultant") not unacceptable to

¹⁸ Supplementary Material .09(c) states that, "A member that routes its order flow to another member that has agreed to handle that order flow as agent for the customer (*e.g.*, a clearing firm or other executing broker-dealer) can rely on that member's regular and rigorous reviews as long as the statistical results and rationale of the review are fully disclosed to the member and the member periodically reviews how the review is conducted, as well as the results of the review."

FINRA, within 60 days of the date of the Notice of Acceptance of this AWC, to conduct a comprehensive review of the adequacy of the Firm's policies, systems and procedures (written and otherwise) and training relating to achieving compliance with FINRA Rule 5310;

- b. The Independent Consultant, any firm with which the Independent Consultant is affiliated or of which it is a member, and any person engaged to assist the Independent Consultant in performance of its duties, shall not have provided consulting, legal, auditing or other professional services to, or had any affiliation with, Robinhood during the two years prior to the date of the Notice of Acceptance of this AWC;
- c. Cooperate with the Independent Consultant in all respects, including providing the Independent Consultant with access to Robinhood's files, books, records, and personnel, as reasonably requested for the above-mentioned reviews. Robinhood shall require the Independent Consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the Independent Consultant's communications with FINRA. Further, Robinhood upon request, shall make available to FINRA any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with this review.
- d. Once retained, Robinhood shall not terminate the relationship with the Independent Consultant without FINRA's written approval; Robinhood shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;
- e. At the conclusion of the Independent Consultant's review, which shall be no more than 120 days after the date of the Notice of Acceptance of this AWC, Robinhood shall require the Independent Consultant to submit a written report (the "Initial Report") to it and FINRA. The Initial Report shall, at a minimum: (i) evaluate and address the adequacy of the Firm's policies, systems, procedures, and training relating to achieving compliance with FINRA Rule 5310; (ii) provide a description of the review performed and the conclusions reached, and (iii) as may be needed, make recommendations regarding how Robinhood should modify or supplement its processes, controls, policies, systems, procedures and training to achieve compliance with FINRA Rule 5310; and

- (i) Within 60 days after delivery of the Initial Report, Robinhood shall adopt and implement the recommendations of the Independent Consultant or, if it considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA (“Firm’s Proposed Alternative Procedures”).
- (ii) Within 60 days of receipt of the Firm’s Proposed Alternative Procedures, Robinhood shall require the Independent Consultant to: (i) reasonably evaluate the alternative procedure(s) and determine whether it will achieve the same objective as the Independent Consultant’s original recommendation; and (ii) provide the Firm and FINRA with a written decision reflecting his or her determination (“Written Report Regarding Alternative Procedures”). In the event the Independent Consultant and Robinhood are unable to agree, the Firm must abide by the Independent Consultant’s ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.
- (iii) Within 60 days after the issuance of the later of the Independent Consultant’s Initial Report or Written Report Regarding Alternative Procedures (if any), Robinhood shall provide the Independent Consultant and FINRA staff with a written Implementation Report, certified by an officer of Robinhood, attesting to, containing documentation of, and setting forth the details of the Firm’s implementation of the Independent Consultant’s recommendations.

The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Robinhood agrees to provide such evidence.

- f. Require the Independent Consultant to enter into a written agreement that provides that for the duration of this engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with Robinhood, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with

which the Independent Consultant is affiliated or of which it is a member, and any person engaged to assist the Independent Consultant in the performance of its duties pursuant to this AWC, shall not, without prior written consent of FINRA, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Robinhood or any of Robinhood's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

- g. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

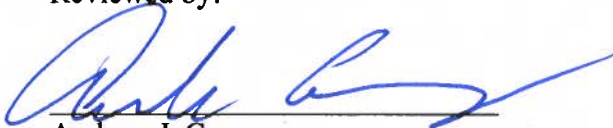
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

DECEMBER 12, 2019
Date

Respondent
Robinhood Financial, LLC

By: 
Name: Anne Hoge
Title: Chief Legal Officer

Reviewed by:



Andrew J. Ceresney
Julie M. Riewe
Counsel for Respondent
Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022

Accepted by FINRA:

12/19/19
Date

Signed on behalf of the
Director of ODA, by delegated authority

Dawn Faris
Dawn Faris
Senior Counsel
FINRA Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850-3241

CORRECTIVE ACTION STATEMENT

In connection with the issuance of the Letter of Acceptance, Waiver and Consent No. 2017056224001 (“AWC”), Robinhood Financial, LLC (“Robinhood,” the “Firm” or “Respondent”) submits this statement describing certain of the actions it has taken related to the issues described in the AWC.²¹

As discussed in detail below, Robinhood has implemented a number of enhancements subsequent to the Review Period as part of its ongoing commitment to obtain best execution for its customers.

- **Strengthened the Firm’s best execution monitoring tools and processes:** The Firm adopted a Best Execution Committee charter in March 2019 to codify the committee’s processes, responsibilities, and the information that is regularly reviewed during committee meetings. In addition, Robinhood updated the materials reviewed by the Best Execution Committee. In particular, the Best Execution Committee increased the scope of the analyses typically included in committee meeting materials, which currently includes metrics such as price improvement, price disimprovement, limit order fill rates for nonmarketable limit orders, quality by order type, speed of execution for marketable orders, execution quality based on size buckets and venue, and opportunities for external price improvement with non-partner venues. The Best Execution Committee also maintains an execution venue report card that looks at factors such as service quality over a trailing 90-day period and evaluates whether current venues should remain in Robinhood’s program based on their execution quality and service quality (e.g., timely responses to any service issues) to Robinhood’s customers.
- **Improved the Firm’s technology and analytics around best execution:** Additionally, Robinhood now uses a well-known independent provider of best execution analytics software for its execution quality review. This provider generates a series of reports for regular review of daily nonmarketable securities, over-the-counter (“OTC”) securities, and options statistics. For equity orders, reports are generated to highlight missed trade exceptions, all or none (“AON”) exceptions, missed fill exceptions, marketable trade exceptions, orders at the open exceptions, and OTC exceptions. For options orders, reports are generated that include AON exceptions, complex order exceptions, marketable order exceptions, orders at the open exceptions, and stop limit exceptions.
- **Added talent to specifically monitor best execution:** Robinhood also hired a best execution manager, who is a FINRA-registered principal with over 20 years of experience in financial services, dedicated to best execution monitoring. The manager builds materials and reports to help facilitate Robinhood’s best execution obligation to its customers. The manager also reviews daily trade exception reports and execution quality statistics and reports, and maintains contact with execution venues to troubleshoot and resolve any execution issues.

²¹ This Corrective Action Statement is submitted by Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.