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VIA ELECTRONIC SUBMISSION

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: ***Regulatory Notice 25-07*** **(FINRA Requests Comment on Modernizing FINRA Rules, Guidance, and Processes for the Organization and Operation of Member Workplaces)**

Dear Ms. Mitchell:

Robinhood Financial LLC and Robinhood Securities, LLC[1] (together, "Robinhood") are registered with the U.S. Securities and Exchange Commission ("SEC") and are members of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Robinhood respectfully submits this letter in response to the above-referenced request by FINRA for comment on modernizing the regulatory requirements applicable to FINRA member firms and their associated persons. At Robinhood we take pride in providing low-cost brokerage services to millions of investors through a modern, technology-forward brokerage platform.

For far too long, the brokerage industry and its employees have been weighed down by antiquated rules that have increased costs, stifled competition, inhibited innovation, and driven talented and hardworking people from the industry. We recommend that FINRA implement sweeping changes to its rules governing the workplace that will empower FINRA members to provide products and services that meet the needs of the modern investor.

I. Observations and Guiding Principles

Many of FINRA's rules are tailored to old ways of doing business despite improvements in technology and significant changes in how brokerage firms work and interact with their customers. FINRA should consider the following trends when evaluating its rules and contemplating amendments:

- ***Brokers and customers primarily communicate electronically.*** Many brokers, like Robinhood, communicate and interact with customers almost entirely through electronic means. With 96% of American adults using the internet[2] and 91% using smartphones,[3] electronic brokerage services are broadly accessible and investors no longer need to meet with registered representatives in physical "branch offices" to open a brokerage account or trade. Investors can trade online whenever they want and have real-time electronic access to account information (*e.g.*, account

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1 Both of these firms are wholly owned subsidiaries of Robinhood Markets, Inc.

2 Pew Research Center, Internet, Broadband Fact Sheet, https://www.pewresearch.org/internet/fact-sheet/internet-broadband/.

3 Pew Research Center, Internet, Mobile Fact Sheet, https://www.pewresearch.org/internet/fact-sheet/mobile/.

holdings and transactions), disclosure documents (*e.g.*, prospectuses) and other information. While some investors may wish to receive information in paper form, such paper disclosures are a matter of convenience and preference rather than an essential and exclusive way of delivering information.

- ***Remote work is a fundamental feature of the modern workplace, and remote supervision is effective.*** As financial services firms implement varied approaches to remote and hybrid working arrangements, it is now clear that this is a firmly entrenched feature of the workplace and that a significant number of brokerage employees will be working remotely at least some of the time. Firms have developed and implemented sophisticated tools and policies and procedures for reasonably supervising employees remotely. Importantly, firms' experiences during the COVID-19 pandemic proved that remote supervision can be reasonably designed to achieve compliance.

- ***Funds and securities are predominantly maintained and moved electronically.*** Physical security certificates are increasingly rare (and when they are used, they are almost exclusively maintained at the Depository Trust Company ("DTC")), and there is momentum to achieve the full dematerialization of securities.[4] Customers primarily move funds through Automated Clearing House ("ACH") transfers, wires and other forms of electronic funds transfers. While some customers still use physical checks (primarily at account opening), it is much less common and mobile check deposit is now a common feature.

- ***Records are primarily maintained electronically.*** Most brokers maintain all or nearly all of their records in electronic form through centralized, cloud-based electronic storage systems. Paper or hard copy records have become virtually non-existent.

In our response to FINRA Regulatory Notice 25-04 (FINRA Launches Broad Review to Modernize Rules Regarding Member Firms and Associated Persons),[5] we set forth several principles that we believe should guide FINRA in how it approaches the modernization of its rules generally. These principles apply equally well to the modernization of FINRA's rules governing the workplace, and we encourage FINRA to refer back to that comment letter. In addition to those general principles, we would like to highlight specific objectives that FINRA should consider regarding its rules governing the workplace:

- ***The rules should empower brokers to meet the needs of the modern investor.*** The market for financial services is competitive, and investors can seek out services from investment advisers, banks and other financial professionals. FINRA's rules need to allow brokers to be nimble in implementing new products, technologies and channels for engaging with investors. While investor protection will always be paramount, we believe that well-crafted rules can both ensure the protection of investors as well as provide brokers with the flexibility necessary to adapt in a rapidly evolving and competitive landscape.

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4 From Physical to Digital: Advancing the Dematerialization of U.S. Securities, DTCC (Sep. 2020), https://www.dtcc.com/~/media/Files/PDFs/DTCC-Dematerialization-Whitepaper-092020.pdf

5 Letter from Matt Billings, Robinhood Financial LLC, to Jennifer Piorko Mitchell, FINRA, dated June 10, 2025, available at https://www.finra.org/sites/default/files/NoticeComment/Robinhood_Comment_Letter_--_Regulatory_Notice_25-04.docx.pdf ("Robinhood 25-04 Comment Letter").

- ***The rules should not penalize the use of technology.*** Despite the significant shift in how brokers do business, there are a number of ways in which FINRA (and SEC) rules treat outdated ways of doing business as the default, and impose complex and burdensome requirements, at times unclear, on brokers that seek to implement well-established modern business practices. FINRA should remove unnecessary barriers to modern business practices like electronic communication, electronic recordkeeping, remote work and remote supervision. FINRA needs to do much more than simply state that the rules are technology neutral.

- ***The rules should facilitate participation in the industry.*** FINRA needs to ensure that its members are able to hire and retain talented employees. There are many FINRA rules that impose unnecessary barriers to entry into the industry (such as rules that make it more difficult for people to take licensing exams or reenter the industry because their licenses have expired), drive talented employees out of the industry and/or potentially have a discriminatory impact on hiring. There is significant risk of members facing a shortage of qualified employees.[6] FINRA should be proactive in addressing this risk.

II. Recommendations

A. Branch Offices and Hybrid Work

FINRA Rule 3110 imposes overly complex and prescriptive requirements for the supervision of workplaces and associated persons that are no longer justified. The rule places an emphasis on physical locations, on-site supervision, and on-site inspections that is outdated in a world where nearly everything is done electronically. Rule 3110 imposes unnecessary obstacles to remote and hybrid working arrangements even though such arrangements can provide substantial benefits to members. Benefits include enhanced recruitment and retention of employees who prefer remote and hybrid working arrangements or are at locations where the member does not have offices. The Remote Inspections Pilot Program is an example of the reluctance to remove obstacles to modern working arrangements. Robinhood supports a data-driven and methodical approach to rulemaking. However, the data and results from four years of temporary remote inspections under Rule 3110.17, which demonstrated that remote supervision and inspections can be effective, should eliminate the need for a three-year pilot program.

Further, the rule categorizes locations into branch offices, offices of supervisory jurisdiction ("OSJs") and non-branch locations based on distinctions that are increasingly ambiguous and arbitrary.[7] In the long run, we believe that the distinctions between different office types in Rule 3110 (*i.e.*, branch offices, OSJs and non-branch locations) should be eliminated, as they are overly complex and serve no meaningful regulatory purpose. However, we recognize that this terminology has significance under various state laws and, therefore, eliminating the terminology completely will take time and require close coordination with the North American Securities Administrators Association ("NASAA"), state regulators and the SEC.[8] In the meantime, FINRA should focus on reforms that it can implement on its own. We

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[6] For example, one recent study has identified the risk of a shortage of financial advisers within the next decade. *See The looming advisor shortage in US wealth management*, McKinsey & Company (Feb, 10, 2025), https://www.mckinsey.com/industries/financial-services/our-insights/the-looming-advisor-shortage-in-us-wealth-management.

[7] For example, in a world of dematerialized securities, it is unclear what locations should be deemed to be involved in "maintaining custody of customers' funds or securities". See FINRA Rule 3110(f)

[8] The changes described herein should help minimize the significance of the distinction between branch offices, OSJs and non-branch locations. In the long term, we encourage FINRA to take a leadership role in

recommend that FINRA fundamentally revise Rule 3110's prescriptive, one-size-fits-all approach and adopt a streamlined, principles-based approach to the supervision of member workplaces. Such a principles-based approach should be based on the core requirement of Rule 3110(a): "Each member shall 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." We believe that each FINRA member is in the best position, based on its knowledge of its business model, personnel, resources, risks and other factors, to determine the best structure for supervising its business and personnel and achieving compliance with the securities laws and FINRA rules. A streamlining of Rule 3110 should include the following changes:

- *Inspections.* Rule 3110(c) requires members to conduct a review, at least annually, of the businesses in which it engages, but also requires members to inspect individual offices (at a frequency that varies based on the type of office). As we have discussed, given the dramatic shift toward electronic and online business activities, this focus on offices is antiquated and has required members to conduct time-consuming, check-the-box inspections that serve no meaningful purpose. Rule 3110 should be simplified to solely require members to review and inspect their business as a whole. Firms should no longer be required to inspect offices on any specific schedule, and should instead be allowed to make risk-based determinations, based on the activities that occur at each office, as to when each office should be inspected. Further, remote inspections should be treated equally with on-site inspections without being subject to any special limitations or conditions. In other words, the Remote Inspections Pilot Program should be made permanent, but in a drastically simplified form.

- *On-site supervision.* Firms should no longer be required to designate one or more on-site principals for each OSJ or one or more on-site branch managers for each branch office.[9] Firms should be permitted to manage and supervise OSJs and branch offices remotely, with the understanding that any such remote supervision must meet the same standards and expectations as for on-site supervision. If FINRA decides to keep the on-site supervision requirement, it should be narrowed significantly, such as to focus on locations that customers visit in person.

- *Residential locations.* The relief for residential supervisory locations in Supplementary Material .19 should be broadened and simplified, including to (i) remove the condition requiring one-year of experience with the member or an affiliate[10] and (ii) remove the risk assessment requirement.[11] Further, when more than one person works at a residential location, the relief only applies when those persons are immediately family members. However, there can be bona fide circumstances where multiple people who are not immediate family members reside in the same location as roommates. FINRA should expand the relief to cover true residential locations where a small number of people (including non-family members), such as five or less, actually reside at the location.

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coordinating with NASAA, state regulators and the SEC to eliminate this terminology and focus on a principles-based regulation of offices.

9 FINRA Rule 3110(a)(4).

10 FINRA Rule 3110, Supplementary Material .19(c)(1). There is no reason that a person who is qualified to act in a supervisory capacity, including someone who has lengthy experience in the industry, needs to have worked with the member or an affiliate for one year in order for their residence to qualify as a residential supervisory location.

11 FINRA Rule 3110, Supplementary Material .19(e).

In tandem with streamlining Rule 3110, FINRA should streamline Form BR, including making the following changes:

- Consistent with the changes to Rule 3110 described above, questions regarding on-site supervisors and persons-in-charge should be removed from the form.

- Form BR also includes detailed questions regarding other investment-related activities conducted at the branch office. In the context of modern financial services, it is very common for broker-dealers to be a part of larger organizations that provide other financial services. Firms generally implement information barriers and manage any conflicts of interest relating to their non-brokerage activities on an enterprise-wide basis. Thus, reporting of non-brokerage activities on an office-by-office basis is unnecessary. These questions should be removed from Form BR.

- Form BR includes questions about expense sharing arrangements and recordkeeping. FINRA has other means for collecting this information, and we believe that there is limited value in collecting this information on an office-by-office basis.

B. Registration Process and Information

We have previously commented on how FINRA should modernize Form U4 by narrowing the disclosure questions in Item 14.[12] FINRA should also strike the requirement that the member certify that it has communicated with the applicant's previous employers for the past three years and documented the names of the persons contacted and the date of contact. This requirement is out of date and should be eliminated. This exercise almost never yields any useful information, as employers almost universally refuse to provide information in response to these inquiries, for a variety of reasons.

C. Qualifications and CE

As we have discussed, FINRA should design its rules with an eye toward encouraging talented people to join and remain in the industry. Further, FINRA should consider whether certain qualification requirements have a discriminatory impact. More specifically, we recommend that FINRA implement the following reforms:

- *Exams.* FINRA should eliminate the requirement that a person be sponsored by a FINRA member to take representative-level licensing exams, as this would benefit both members and employees. Permitting people to take the representative-level licensing exams without sponsorship would provide a great opportunity for job applicants or career changers to distinguish themselves and demonstrate their enthusiasm and aptitude for the brokerage industry when applying for jobs. It would also allow job seekers to study for and take exams before accepting a position they cannot maintain if they do not pass the exam. This change would also benefit members, as it would help create a larger pool of licensed applicants and reduce the churn of hiring individuals that fail to obtain the required licenses.

- *License expiration.* FINRA should allow registered individuals to maintain their licenses indefinitely, even if they are not employed with a broker-dealer, as long as they satisfy continuing education requirements. Many other professionals (for example, lawyers) are able to maintain their licenses indefinitely through employment breaks as long as they comply with continuing education requirements. We commend FINRA for adopting relief for persons serving in the U.S.

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[12] *See* Robinhood 25-04 Comment Letter.

armed forces, but there are many other circumstances that could cause someone to leave the industry for an extended period of time.

D. Delivery of Information to Customers

Electronic delivery is a secure, fast, reliable, user-friendly, environmentally-friendly and cost-effective way of delivering information to brokerage customers, and is a tool for brokers in lowering the cost of brokerage services and providing services to retail investors.[13] Despite the clear benefits of electronic delivery, FINRA and the SEC have failed to update their guidance on electronic delivery in ways that have inappropriately stifled usage of electronic delivery, and which has resulted in brokers incurring significant costs mailing information to customers.

The SEC provided guidance on electronic delivery in a series of three interpretive releases issued in 1995, 1996 and 2000,[14] and FINRA effectively adopted the SEC's guidance.[15] While this guidance was, at the time, very forward-thinking, the SEC has failed to update the guidance despite significant changes in technology, general business practices, and customer behaviors over the past 25 years. Since that time, internet usage has nearly doubled and has become ubiquitous in modern commerce.[16] The SEC guidance contains a number of problematic features:

- **Separate Notice Requirement.** The SEC's guidance includes a requirement that delivery of a communication through a website be accompanied by a separate notice of the availability of the communication, which is typically delivered via email.[17] This requirement becomes problematic when a broker is unable to deliver emails to a customer, which may happen because a customer has changed their email address, has a full email inbox, or has blocked emails from a broker as spam. Neither the SEC nor FINRA has provided any specific guidance as to how brokers should handle these scenarios, which has created an uncertain environment where brokers have no guidance to follow and are at risk of being second-guessed by examiners and enforcement staff.

  In this environment, brokers often revert to sending paper communications to customers who are not receiving emails, which is inefficient and can result in significant costs for firms, including firms that primarily utilize electronic delivery as part of their business model. Paper mail also

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[13] The profit margins for small brokerage accounts are very narrow, and the costs of mailing confirmations, account statements, prospectuses, required regulatory disclosures and other documents to customers with smaller accounts can easily make those accounts cost-prohibitive (or require relatively high commissions or other fees to offset those costs). Thus, barriers to electronic delivery can effectively become barriers to low-cost brokerage services.

[14] *See* Use of Electronic Media for Delivery Purposes, 60 Fed. Reg. 53458 (Oct. 13, 1995); Use of Electronic Media by Broker-Dealers, Transfer Agents, and Investment Advisers for Delivery of Information; Additional Examples Under the Securities Act of 1933, Securities Exchange Act of 1934, and Investment Company Act of 1940, 61 Fed. Reg. 24644 (May 15, 1996); Use of Electronic Media, 65 Fed. Reg. 25843 (May 4, 2000).

[15] *See* NASD Notice to Members 98-03 (Jan. 1998).

[16] *See* Internet, Broadband Fact Sheet, Pew Research Center, https://www.pewresearch.org/internet/fact-sheet/internet-broadband/ (showing an increase from in the percentage of U.S. adults that use the internet of 52% in 2000 to 96% in 2024).

[17] Use of Electronic Media for Delivery Purposes, 60 Fed. Reg. 53458, 53460 (Oct. 13, 1995). Separate notice would not be required if a broker can evidence that delivery to the customer has been satisfied, but this alternative can be just as problematic for brokers to satisfy.

carries the additional risk of being lost, stolen or intercepted; whereas electronic communication has been widely accepted as a more secure medium to prevent fraud and other related risks to sensitive customer information.

The notice requirement is also problematic insofar as there is uncertainty regarding what types of electronic notice are acceptable for these purposes. For example, customers and brokers may wish to agree that a broker will notify customers of a new communication through a push notification or an in-app alert such as via a secure message center; but it is unclear how such a notice would be treated under the SEC's guidance. Such electronic communications are delivered instantaneously (as opposed to days in the case of paper mail) and are more visible and easily accessible to customers who are accustomed to conducting personal and professional business - including the receipt of important or timely information - on their mobile phones.

- **Global Consent Restrictions.** The SEC has also provided guidance indicating that brokers may generally not condition the opening of a brokerage account upon a customer providing global consent to electronic delivery, but recognized an exception for brokerage firms that "require accounts to be opened online and all account transactions to be initiated and conducted online."[18] Given the universal nature of electronic communications, and electronic interactions between retail customers and firms, all firms should have the discretion to pre-condition the opening and maintenance of accounts on global consent to electronic delivery, with the understanding that under certain conditions, it may be appropriate to allow certain customers to opt for paper mail instead.

- **E-SIGN Act Conflicts**. Further, soon after the aforementioned SEC guidance was issued, the Electronic Signatures in Global and National Commerce Act (**"**E-SIGN") was signed into law. The above-mentioned features of the SEC guidance are in direct conflict with E-SIGN. For instance, E-SIGN does not include a requirement for separate notice; nor does it prohibit a firm from requiring global consent to electronic delivery as a condition to doing business. E-SIGN contains broad preemption provisions[19] that prohibit any federal regulator such as the SEC from adopting any rule or guidance that is inconsistent with E-SIGN or that adds to the requirements of E-SIGN (among other requirements).[20]

FINRA should work closely with the SEC to issue new regulations and/or guidance that incorporates a more modern and flexible approach to the points raised above. More generally, FINRA and the SEC should seek to ensure that electronic delivery is at the very least on an equal playing field with paper

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18 Use of Electronic Media, 65 Fed. Reg. 25843, 25846 and n. 27 (May 4, 2000).

19 *See* 15 U.S.C. § 7001(a) ("Notwithstanding any statute, regulation, or other rule of law . . .").

20 *See* 15 U.S.C. § 7004(b)(2) ("[A] Federal regulatory agency shall not adopt any regulation, order, or guidance . . . unless—(A) such regulation, order, or guidance is consistent with section 7001 of this title; (B) such regulation, order, or guidance does not add to the requirements of such section; and (C) such agency finds, in connection with the issuance of such regulation, order, or guidance, that—(i) there is a substantial justification for the regulation, order, or guidance; (ii) the methods selected to carry out that purpose—(I)are substantially equivalent to the requirements imposed on records that are not electronic records; and (II) will not impose unreasonable costs on the acceptance and use of electronic records; and (iii) the methods selected to carry out that purpose do not require, or accord greater legal status or effect to, the implementation or application of a specific technology or technical specification for performing the functions of creating, storing, generating, receiving, communicating, or authenticating electronic records or electronic signatures.").

delivery and provide firms with the discretion to determine what forms of electronic delivery they will employ, and the freedom to contract with their customers accordingly.

E. Recordkeeping and Digital Communications

The requirements in Exchange Act Rule 17a-4 that govern how brokers maintain electronic records have been overly restrictive and problematic since they were adopted. While the recent amendment to Rule 17a-4 that added an audit trail alternative to the WORM requirements is an improvement, the rule is still overly prescriptive. In practice, firms rely on many different systems for generating and maintaining records, including third-party SaaS vendors that are not focused on or equipped to provide services in compliance with Rule 17a-4. FINRA should coordinate with the SEC on adopting a more flexible standard for electronic records, such as the principles-based and technology-neutral standard recently adopted by the Commodity Futures Trading Commission ("CFTC").[21] Alternatively, although we strongly believe a standard like the CFTC's is preferable, the SEC and FINRA could also consider a framework where only certain key records (*e.g.*, records of customer transactions and positions) are subject to the more restrictive WORM or audit trail requirements, while other records can be maintained in less restrictive formats. We also encourage the SEC and FINRA to provide guidance regarding the scope of communications that relate to a firm's "business as such" that recognizes reasonable limiting principles and explicitly rejects an amorphous and all-encompassing interpretation of that term.

As we have previously commented,[22] there are a number of changes that FINRA should make to FINRA Rule 2210 to better reflect modern technology and business practices:

- *Disclosure practices*. FINRA should amend Rule 2210 to allow firms to make disclosures in a manner that befits the communication subject to the disclosure. In Regulatory Notice 19-31 and its related FAQs, FINRA welcomed innovative design techniques and provided some relief from restrictive disclosure requirements.[23] We believe that this guidance is inadequate to address modern customers' demands for timely and rapidly updated communications delivered to their mobile devices. In communications presented through mobile devices, it is cumbersome and often impractical to provide investors with the lengthy written disclosures that have traditionally accompanied written marketing materials—and it is highly questionable whether those disclosures are serving their intended functions. Despite existing guidance, there are ongoing concerns about whether hyperlinked or layered disclosures can satisfy requirements or expectations regarding the prominence or proximity of disclosures. We recommend that FINRA explicitly recognize that disclosures included within a sufficiently prominent hyperlink or similar feature (*e.g.*, a pop-up) can satisfy prominence and/or proximity requirements. Similar issues can arise under SEC rules that include prominence and proximity requirements for disclosures. We request that FINRA coordinate and work closely with the SEC to provide guidance that would similarly modernize the SEC's approach to today's advertising practices and layered disclosure.[24]

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21 *See* Recordkeeping, 82 Fed. Reg. 24479 (May 30, 2017). We are not aware of any significant issues or concerns arising out of these requirements.

22 *See* Robinhood 25-04 Comment Letter.

23 *See* FINRA, Frequently Asked Questions About Advertising Regulation, https://www.finra.org/rules-guidance/guidance/faqs/advertising-regulation.

24 The SEC has already recognized the appropriateness of layered disclosure in a number of contexts. *See, e.g.*, Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements, 87 Fed. Reg. 72758 at n. 40 ("This feedback generally showed that retail investors prefer concise, layered disclosure and feel overwhelmed by the volume of information they

- *Recommendations.* FINRA should also work with the SEC to modernize the definition of a "recommendation" for purposes of FINRA's suitability rule (Rule 2111) and SEC Regulation Best Interest.[25] Decades-old guidance from the NASD suggests that merely sending a communication to a group of customers could, in some circumstances, constitute a recommendation.[26] That guidance is terminally outdated, particularly with respect to self-directed brokers who make clear to investors that they do not provide recommendations. No reasonable customer of a self-directed firm would view a broadly disseminated communication from such a self-directed broker to be a recommendation. Moreover, the purpose of the recommendation-related rules is to manage the conflicts of interest that arise when a broker-dealer earns a commission on a transaction, or stands to benefit from a customer's purchase of one security to the exclusion of another—concerns not relevant in the modern self-directed brokerage space. Self-directed broker-dealers should be able to empower investors and provide information without risk of transforming that information into a recommendation.

- *Principal approval.* Firms need to be nimble in their communications with investors, including retail investors, especially in today's fast-moving marketplace. We believe that firms can effectively supervise lower-risk retail communications without requiring that every retail communication be approved by a registered principal (as is currently required by Rule 2210(b)(1)). There is currently an exception from the pre-approval requirement in Rule 2210(b)(1)(D)(iii) for "any retail communication that does not make any financial or investment recommendation or otherwise promote a product or service of the member." We believe that it would be appropriate for that exception to simply apply to "any retail communication that does not make any financial or investment recommendation," provided that a principal is still responsible for supervising any such communication (*e.g.*, in the same manner as institutional communications under FINRA Rule 2210(b)(3)). We note that, in light of significant advancements in artificial intelligence ("AI"), it may be possible for firms to develop AI systems that can empower principals to efficiently and effectively supervise such retail communications without the principal needing to separately review each communication in advance.

F. Fraud Protections

Robinhood strongly believes in the importance of protecting senior investors. One particularly complex aspect in this area is the application of requirements under state laws that require reporting suspected financial exploitation to state regulators. We encourage FINRA to explore whether it could provide greater support to members in this area, such as by acting as a central clearinghouse for reporting to state regulators and/or adult protective service agencies, similar to how FINRA facilitates state registrations through CRD.

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currently receive, with some individual investors specifically addressing and supporting a more concise, summary shareholder report."); Staff Statement Regarding Form CRS Disclosures (Dec. 17, 2021), https://www.sec.gov/newsroom/speeches-statements/staff-statement-form-crs-disclosures-121721 ("This allows firms to summarize this information while making available more detailed information for retail investors through layered disclosure.").

[25] *See* FINRA Rule 2111, Supplementary Material .08

[26] *See* NASD Notice to Members 01-23 (Mar. 2001) (holding that the following would constitute a recommendation: "A member uses data-mining technology (the electronic collection of information on Web Site users) to analyze a customer's financial or online activity—whether or not known by the customer—and then, based on those observations, sends (or "pushes") specific investment suggestions that the customer purchase or sell a security.").

In the context of fraud more generally, our experience has shown that bad actors will often target multiple brokerage firms and engage in similar patterns of conduct across multiple accounts at various firms. FINRA should explore whether it could act as a central clearinghouse for information about fraudulent and manipulative conduct detected by individual firms. We understand that FINRA is establishing a Financial Intelligence Fusion Center that may serve this purpose. We encourage FINRA to purposefully continue this initiative.

G. Leveraging FINRA Systems to Support Member Compliance

The implementation of the Consolidated Audit Trail ("CAT") has provided FINRA and the SEC with access to enormous amounts of detailed data regarding the securities markets. Robinhood has significant concerns, which are shared by many other members, regarding the CAT, including concerns regarding the personally identifiable information ("PII") maintained in connection with CAT[27] and the onerous reporting deadlines under CAT. While a full critique of the CAT is outside the scope of this comment letter, it is important that the SEC and FINRA use the CAT efficiently, including using it as a way to ease the burdens imposed on members by Electronic Blue Sheets requests. Firms should not be required to incur duplicative costs for providing FINRA and the SEC with information through Blue Sheets requests that they already have access to through the SEC. FINRA and the SEC should coordinate on rulemaking that eliminates Blue Sheets reporting (as was contemplated when the CAT was first envisioned) and prohibits FINRA and the SEC from requesting data from brokers that can be obtained by them directly through the CAT.

Additionally, we understand that the SEC and FINRA have developed, and may develop in the future, sophisticated data analytics that can be used to review CAT data.[28] We encourage the SEC and FINRA to explore making available limited versions of these tools that could be used by firms with respect to their own customer data for anti-money laundering, anti-fraud and other surveillance purposes.

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[27] In February 2025, the SEC issued an exemptive order that provided significant relief from the PII reporting requirements of the CAT. *See* Order Granting Exemptive Relief, Pursuant to Section 36(a)(1) and Rule 608(e) of the Securities Exchange Act of 1934, from Certain Provisions of Section 6.4(d)(ii)(C) and Appendix D, Sections 9.1, 9.2 and 9.4 of the National Market System Plan Governing the Consolidated Audit Trail, Exchange Act Release No. 102386 (Feb. 10, 2025). We support the proposal by the Consolidated Audit Trail, LLC to more fully eliminate PII risk from the CAT. *See* Joint Industry Plan; Notice of Filing of Amendment No. 1, and Order Instituting Proceedings to Determine Whether to Approve or Disapprove an Amendment to the National Market System Plan Governing the Consolidated Audit Trail, as Modified by Amendment No. 1, Regarding the Customer and Account Information System, Exchange Act Release No. 103288 (Jun. 17, 2025).

[28] Given the importance and sensitivity of this data for both customers and firms, FINRA and the SEC should ensure that the data security and governance processes they are implementing fully prevent unauthorized access and use that negatively impact markets, customers, or competition, and that they are tested and updated rigorously and regularly to the same, if not greater, standards than those expected of the industry.

Robinhood appreciates the opportunity to submit this comment letter. Please contact Lucas Moskowitz, Senior Vice President, General Counsel and Corporate Secretary, Robinhood Markets, at lucas.moskowitz@robinhood.com if you have any questions or comments.

Respectfully submitted,

Signed by:
Matt Billings
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Matt Billings
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