



NEWS RELEASE | **FOR IMMEDIATE RELEASE** | July 12, 2023

North Dakota Securities Department Joins Multiple States in \$10 Million Settlement with Robinhood for Failing Investors

Bismarck ND – The North Dakota Securities Department announced today that it has joined a multi-state settlement with Robinhood Financial LLC, which 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 into Robinhood’s operational failures with respect to the retail investor market that was spearheaded by multiple state securities regulators and coordinated through the North American Securities Administrators Association (NASAA).

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.

The order identifies the following violations:

- Negligent dissemination of inaccurate information to customers, including deficient disclosures about the risks of margin accounts and options trading.
- 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 options accounts.
- Failure to report all customer complaints to FINRA and state securities regulators.

Robinhood will provide access to a FINRA-ordered compliance implementation report to the 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 that it is in full compliance with the compliance

consultant's recommendations or has otherwise instituted measures that are more effective at addressing the recommendations.

"While financial technology innovations may improve access to investment products and services, fintech firms have an obligation to ensure their clients understand the risks they are exposed to and that they are treated fairly", said Karen Tyler, North Dakota Securities Commissioner.

The Securities Department found no evidence of willful or fraudulent conduct by Robinhood, and that Robinhood fully cooperated with the investigation.

If you have questions or concerns about your investments or financial professional, please contact the Department.

For More Information Contact:

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