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Financial Institutions Files Action Against Robinhood Brokerage

\$200k fine; subject to future audits, inspections

Frankfort, Ky. (Sept. 20, 2023) – The Department of Financial Institutions (DFI) has entered a consent order against Robinhood Financial, LLC, a stock trading and investment application brokerage, for harmful conduct to Kentucky consumers. At last count in 2020, over 150,000 Kentuckians were Robinhood customers.

The order alleges several deficiencies, including that Robinhood failed to:

- Exercise due diligence in the context of reviewing options and margin trading applications.
- Maintain and implement adequate supervisory systems for its technology.
- Report “tens of thousands” of complaints to the Financial Industry Regulatory Authority (FINRA).
- Maintain adequate oversight of its trading technology resulting in significant platform outages during times of historic market volatility, and significant periodic outages.
- Provide reasonable customer support.

As part of the action, Robinhood must pay a \$200,000 fine and submit to future audits or inspections at its expense to ensure compliance with the action.

“Harmful conduct in Kentucky’s financial industries will simply not be tolerated. Protecting our fellow Kentuckians is at the forefront of everything DFI does,” said Marni R. Gibson, acting commissioner. “This action allows for continuous monitoring to ensure such conduct doesn’t happen again and is a win for Team Kentucky.”

This action comes after a multistate task force coordinated among members of the North American Securities Administrators Association (NASAA) investigated the company. The task force investigated from approximately October 1, 2019 to March 2021:

- Platform outages.
- Deficiencies in supervision of options, margin trading eligibility, and approval processes.
- Deficiencies in operational structure for controls and customer service.

Robinhood represents it has already engaged in third-party consultation to complete a comprehensive compliance review. The brokerage further represents it has completed substantial work to enhance its customer service program since March 2020, including improvements to its voice and chat support.

A copy of the full administrative action is available at [KFI.ky.gov](https://kfi.ky.gov) by clicking on “Legal” and “Securities Enforcement Actions”.

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DFI is an agency in the Public Protection Cabinet, and supervises the financial services industry by examining, chartering, licensing, and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI's mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities.