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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2022 AND ENDING 12/31/2022
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Robinhood Financial LLC

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

500 Colonial Center Parkway, Suite 100

(No. and Street) (City) (State) (Zip Code)
Lake Mary FL 32746
(City) (State) (Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Daniel Kelati 650-613-0850 daniel.kelati@robinhood.com
(Name) (Area Code - Telephone Number) (Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Ernst and Young LLP

(Name - if individual, state last, first, and middle name)
725 S Figueroa Street Los Angeles CA 90017
(Address) (City) (State) (Zip Code)

10/20/2003 42
(Date of Registration with PCAOB)(if applicable) (PCAOB Registration Number, if applicable)

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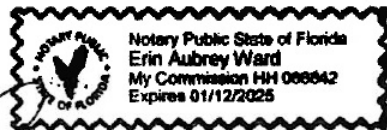
* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Daniel Kelati, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Robinhood Financial LLC, as of 12/31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.


Notary Public



Signature: Daniel Kelati
Title: CFO and Principal Financial Officer

This filing contains (check all applicable boxes):**

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☐ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☐ (d) Statement of cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☐ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☐ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: _____

****To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.**

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Report of Independent Registered Public Accounting Firm

To the Member and The Board of Managers of Robinhood Financial LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Robinhood Financial LLC (the Company) as of December 31, 2022 and the related notes (the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2017.

February 28, 2023

ROBINHOOD FINANCIAL, LLC
STATEMENT OF FINANCIAL CONDITION

	December 31,
	2022
<i>(In millions)</i>	
Assets	
Cash and cash equivalents	\$ 233
Due from affiliated clearing broker-dealer	65
Accrued interest receivables	10
Securities owned, at fair value	1
Other assets	13
Total assets	<u>\$ 322</u>
Liabilities and member's equity	
Liabilities:	
Accounts payable and other accrued expenses	\$ 48
Due to parent	11
Deferred revenue	3
Total liabilities	<u>62</u>
Commitments and contingencies (Note 7)	
Member's equity:	
Total member's equity	260
Total liabilities and member's equity	<u>\$ 322</u>

The accompanying notes are an integral part of these financial statements.

ROBINHOOD FINANCIAL, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION

NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

Robinhood Financial LLC (the “Company,” “we,” “our,” “us” or “RHF”) is a wholly owned subsidiary of Robinhood Markets, Inc. (the “Parent” or “RHM” or “Robinhood”). We are registered with the U.S. Securities and Exchange Commission (“SEC”) as a broker-dealer in securities under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We are a member of the Financial Industry Regulatory Authority (“FINRA”), and the Securities Investor Protection Corporation (“SIPC”). Under our membership agreement with FINRA, we are exempt from Exchange Act Rule 15c3-3 pursuant to the exemptive provisions of subparagraph (k)(2)(ii) of such Rule pertaining to the possession or control of customer assets and reserve requirements.

We are a fully disclosed non-exchange member broker-dealer who introduces retail users to various investment products and services through our platform. Robinhood Securities, LLC (“RHS”), a subsidiary of the Parent, is the affiliated clearing broker-dealer firm of record who clears equities and options trades for the retail users.

COVID-19 Update

The COVID-19 pandemic has resulted, in part, in inefficiencies and delays in our business, operational challenges, additional costs related to business continuity initiatives as our workforce continues to work remotely, and increased vulnerability to cybersecurity attacks or other privacy or data security incidents. The extent of the impact of any COVID-19 resurgence or emergence of similar public health threats on our business, financial condition, and results of operations will depend largely on future developments, including the duration of COVID-19 resurgence or similar public health threat and actions taken to contain or address their impact, their impact on capital and financial markets, and the related impact on the financial circumstances of our customers, all of which are highly uncertain and difficult to predict.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statement has been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”).

Use of Estimates

The preparation of the financial statement in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. We base our estimates on current and historical experience and other assumptions we believe to be reasonable under the circumstances. Assumptions and estimates used in preparing our financial statements include those related to the determination of contingent and accrued liabilities. Actual results could differ from these estimates and could have a material adverse effect on our financial statement.

Segment Information

We operate and report financial information in one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. All our revenues and substantially all of our assets are attributed to or located in the United States.

Concentration of Credit Risk

We are engaged in various trading and brokerage activities in which counterparties include our affiliated broker-dealer, banks, and other financial institutions, when applicable. In the event counterparties do not fulfill their obligations, we may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is our policy to review, as necessary, the credit standing of each counterparty. Additionally, the majority of our revenues is derived as a result of our relationship with RHS.

Cash and Cash Equivalents

Cash and cash equivalents include interest and non-interest bearing deposits with banks and money market funds. We maintain cash in bank accounts at financial institutions that exceed federally insured limits. We also maintain cash in money market funds which are not FDIC insured. We are subject to credit risk to the extent any financial institution with which we conduct business is unable to fulfill contractual

obligations on our behalf. We have not experienced any losses in such accounts and we believe that we have placed our cash on deposit with financial institutions which are financially stable.

Due From Affiliated Clearing Broker-Dealer

Due from affiliated clearing broker-dealer represents receivables from RHS primarily related to fees from affiliated clearing broker-dealer, margin interest revenue, and subscription revenue, net of payables to RHS primarily related to indemnification for unsecured user receivables, interest expense on users' margin balances, and clearing fees for clearing services provided by RHS.

Fair Value of Financial Instruments

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statement on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, we may use various valuation approaches, including market, income and/or cost approaches. The fair value hierarchy requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is a market-based measure considered from the perspective of a market participant. Accordingly, even when market assumptions are not readily available, our own assumptions reflect those that market participants would use in pricing the asset or liability at the measurement date. The fair value measurement accounting guidance describes the following three levels used to classify fair value measurements:

Level 1 Inputs: unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by us

Level 2 Inputs: quoted prices for similar assets and liabilities in an active market, quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3 Inputs: unobservable inputs that are significant to the fair value of the assets or liabilities

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The carrying amounts of certain financial instruments approximate their fair value due to the short-term nature, which include cash and cash equivalents, due from affiliated broker-dealer, accrued interest receivables, other assets, accounts payable and other accrued expenses, deferred revenue, and due to Parent.

Securities Owned, at Fair Value

We own an inventory of stocks to be used as promotional rewards for users and new users they refer that open a new account. These securities owned are recorded at their fair value. Unrealized gains and losses are recorded in marketing expenses in our statement of operations.

Other Assets

Other assets primarily include prepaid expenses and other receivables. We classify prepayments made under contracts as prepaid expenses and expense them over contract terms. These prepaid expenses include items such as prepayments on insurance. As of December 31, 2022, prepaid expenses included in other assets was \$12 million. We evaluate certain prepaid expenses and other assets for credit losses based on historic events, current economic conditions, and our expectations of future economic conditions and record an allowance for credit loss to estimate uncollectible receivables. The allowance for credit losses for prepaid expenses and other assets were immaterial.

Robinhood Referral Program

The stock rewarded under this program could be fractional share, one share or shares of one of twenty stocks, selected by the users from our previously purchased inventory of settled shares held exclusively for this program, which are included in other current assets in our statement of financial condition. Each stock reward is assigned at the time the reward is earned and each share cannot be associated with more than one reward at a time. Our inventory of settled shares is initially recorded at cost and marked to fair market value at each reporting period. As the inventory of shares are held specifically for the referral program and not as investments of the Company, gains and losses from changes in the fair market value of the shares are recorded within marketing expense in our statement of operations until the reward is claimed. Shares are derecognized when they are claimed by the user and delivered to the users' account.

We record an accrued liability within accounts payable and other accrued expenses in our statement of financial condition at the time the bank account is linked with the expense recorded within marketing expense in our statement of operations. The liability is initially recorded

at the fair market value of the assigned share or shares upon the reward being earned by the referred user (i.e., upon bank linkage) and marked to fair market value until claimed or reversed, with gains and losses also recorded within marketing expense. The liability is derecognized when the share is claimed by the user and delivered to the users' account. If a user does not claim the stock reward within 60 days of being notified, such reward expires and the liability is reversed. We estimate the amount of unclaimed rewards expected at each reporting period, using historical trends and data, and adjust the accrued liability and marketing expense accordingly.

Loss Contingencies

We are subject to claims and lawsuits in the ordinary course of business, including arbitration, class actions and other litigation, some of which include claims for substantial or unspecified damages. We are also the subject of inquiries, investigations, and proceedings by regulatory and other governmental agencies. We review our lawsuits, regulatory inquiries and other legal proceedings on an ongoing basis and provide disclosures and record loss contingencies in accordance with the loss contingencies accounting guidance. We establish an accrual for losses at management's best estimate when we assess that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. If the reasonable estimate is a range and no amount within that range is considered a better estimate than any other amount, an accrual is recorded based on the bottom amount of the range. We monitor these matters for developments that would affect the likelihood of a loss and the accrued amount, if any, and adjust the amount as appropriate.

Income Taxes

We are a single member limited liability company, which is treated as a disregarded entity for income tax purposes. All tax effects of our income or loss are included in the tax returns of the Parent. Therefore, no provision or liability for income taxes is included in the financial statement. No formal tax-sharing arrangement exists between us and the Parent and we have no obligation to fund any tax liability of the Parent with our earnings.

NOTE 3: RECENT ACCOUNTING PRONOUNCEMENTS

There are no recently issued accounting pronouncements that would materially impact our financial statement and related disclosures for the year ended December 31, 2022.

NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS

We measure money market fund at fair value. Equity securities owned for our referral shares program and securities that were awarded to our users as a part of our promotional stock referral program but not claimed as of December 31, 2022 were also measured at fair value. We have evaluated the estimated fair value of financial instruments using available market information.

The fair value of money market fund and securities owned, all of which are equity securities, is based on quoted prices in active markets and classified as Level 1. As of December 31, 2022, we had \$45 million money market funds included in Cash and cash equivalent and \$0.1 million in liabilities related to equity securities that are classified as Level 1 but not yet claimed included in accounts payable and other accrued expenses in our statement of financial condition.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following for the period indicated:

	December 31, 2022
<i>(in millions)</i>	
Accrued legal expenses	\$ 22
Accounts payable and other accrued expenses	10
Accrued call center expenses	6
Accrued market data expenses	6
Accrued IT expenses	4
Total	<u>\$ 48</u>

NOTE 6: RELATED PARTY TRANSACTIONS

The amount of revenue earned from affiliates may not be reflective of revenues that could have been earned on similar levels of activity with unaffiliated third parties. The amount of expenses allocated to us may not be reflective of expenses that would have been incurred by us, if we used third party service providers.

We have an expense sharing agreement with the Parent and pursuant to the agreement, we reimburse the Parent for payroll, technology, information services, occupancy and other expenses. The Parent also pays certain direct expenses on our behalf and cash settles monthly with allocated expenses. At December 31, 2022, the balance due to the Parent was \$11 million.

During the year ended December 31, 2022, we distributed \$100 million of capital back to the Parent on October 18, 2022.

We have a revolving, committed and unsecured credit line for \$25 million with the Parent. Interest on this line of credit is based on the effective federal rate as determined by Internal Revenue Service. The credit line has no maturity date and remains in effect until terminated by either party. There were no outstanding borrowings against the line of credit at December 31, 2022 and we did not utilize the credit line during the year. There are no covenants to the lines of credit with the Parent.

Pursuant to the clearing agreement with RHS, we introduce our users to RHS on a fully disclosed basis and utilize RHS to clear and facilitate trades. As of December 31, 2022, due from clearing affiliated broker-dealer in our statement of financial condition consists of cash held at our proprietary account at RHS of \$6 million and the balance due from RHS of \$59 million.

NOTE 7: COMMITMENTS AND CONTINGENCIES

We are subject to contingencies arising in the ordinary course of our business, including contingencies related to legal, regulatory, non-income tax and other matters. We record an accrual for loss contingencies at management's best estimate when we determine that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. If the reasonable estimate is a range and no amount within that range is considered a better estimate than any other amount, an accrual is recorded based on the bottom amount of the range. If a loss is not probable, or a probable loss cannot be reasonably estimated, no accrual is recorded. As of December 31, 2022, the aggregate amounts accrued for contingencies were \$24 million.

Legal and Regulatory Matters

The securities industry is highly regulated and many aspects of our business involve substantial risk of liability. In past years, there has been an increase in litigation and regulatory investigations involving the brokerage and cryptocurrency industries. Litigation has included and may in the future include class action suits that generally seek substantial and, in some cases, punitive damages. Federal and state regulators, exchanges, or state and self-regulatory organizations ("SROs") investigate issues related to regulatory compliance that may result in enforcement action. We are also subject to periodic regulatory audits and inspections that have in the past and could in the future lead to enforcement investigations or actions.

We have been named as a defendant in lawsuits and from time to time we have been threatened with, or named as a defendant in arbitrations and administrative proceedings. The outcomes of these matters are inherently uncertain and some may result in adverse judgments or awards, including penalties, injunctions, or other relief, and we may also determine to settle a matter because of the uncertainty and risks of litigation.

With respect to matters discussed below, we believe, based on current knowledge, that any losses (in excess of amounts accrued, if applicable) as of December 31, 2022 that are reasonably possible and can be reasonably estimated will not, in the aggregate, have a material adverse effect on our business, financial position, operating results, or cash flows. However, for many of the matters disclosed below, particularly those in early stages, we cannot reasonably estimate the reasonably possible loss (or range of loss), if any. In addition, the ultimate outcome of legal proceedings involves judgments and inherent uncertainties and cannot be predicted with certainty. Any judgment entered against us, or any adverse settlement, could materially and adversely impact our business, financial condition, operating results, and cash flows. We might also incur substantial legal fees, which are expensed as incurred, in defending against legal and regulatory claims.

Described below are certain pending matters in which there is at least a reasonable possibility that a material loss could be incurred. We intend to continue to defend these matters vigorously.

Best Execution, Payment for Order Flow ("PFOF"), and Sources of Revenue Matters

Beginning in December 2020, multiple putative securities fraud class action lawsuits were filed against RHM, RHF, and RHS. Five cases were consolidated in the United States District Court for the Northern District of California. An amended consolidated complaint was filed in May 2021, alleging violations of Section 10(b) of the Exchange Act and various state law causes of action based on claims that we violated the duty of best execution and misled putative class members by publishing misleading statements and omissions in customer communications relating to the execution of trades and revenue sources (including PFOF). Plaintiffs seek damages, restitution, disgorgement, and other relief. In February 2022, the court granted Robinhood's motion to dismiss the amended consolidated complaint without prejudice. In March 2022, plaintiffs filed a second consolidated amended complaint, alleging only violations of Section 10(b) of the Exchange Act, which Robinhood moved to dismiss. In October 2022, the court granted Robinhood's motion in part and denied it in part. In November 2022, Robinhood filed a motion for judgment on the pleadings, which the court denied in January 2023.

March 2020 Outages

A consolidated putative class action lawsuit relating to the service outages on our stock trading platform on March 2-3, 2020 and March 9, 2020 (the "March 2020 Outages") is pending in the United States District Court for the Northern District of California. The lawsuit generally alleges that putative class members were unable to execute trades during the March 2020 Outages because our platform was inadequately designed to handle customer demand and we failed to implement appropriate backup systems. The lawsuit includes, among other things, claims for breach of contract, negligence, gross negligence, breach of fiduciary duty, unjust enrichment and violations of certain California consumer protection statutes. The lawsuit generally seeks damages, restitution, and/or disgorgement, as well as declaratory and injunctive relief. In May 2022, the parties notified the court that they had reached an agreement in principle resolving this action. The settlement agreement has been preliminarily approved by the court.

In addition, in September 2021, approximately 400 jointly-represented customers initiated an arbitration of individual claims against us arising out of the March 2020 Outages and other alleged system outages. The parties have reached an agreement to resolve this matter.

State Regulatory Matters

Certain state regulatory authorities have conducted investigations regarding RHF's options trading and related customer communications and displays, options and margin trading approval process, March 2020 platform outages, and customer support prior to June 2020. RHF has reached a settlement in principle with the Alabama Securities Commission and anticipates a potential multi-state settlement related to these issues. FINRA previously conducted an investigation and reached a settlement with RHF regarding many of these issues.

Brokerage Enforcement Matters

FINRA Enforcement staff are conducting investigations related to, among other things, RHF's compliance with FINRA registration requirements for member personnel; marketing involving social media influencers and affiliates; and collaring the prices of certain trade orders. RHF has received requests from the SEC Division of Enforcement and FINRA Enforcement staff related to the Firms' compliance with recordkeeping requirements. We are cooperating with these investigations.

Account Takeovers, Anti-Money Laundering, and Cybersecurity Matters

FINRA Enforcement and the SEC Division of Enforcement are investigating account takeovers (i.e., circumstances under which an unauthorized actor successfully logs into a customer account), as well as anti-money laundering compliance and cybersecurity issues. The SEC Division of Enforcement is also investigating issues related to compliance with the Electronic Funds Transfer Act. We are cooperating with these investigations.

In January 2021, Siddharth Mehta filed a putative class action in California state court against RHF and RHS, purportedly on behalf of approximately 2,000 Robinhood customers whose accounts were allegedly accessed by unauthorized users. RHF and RHS removed this action to the United States District Court for the Northern District of California. Plaintiff generally alleges that RHF and RHS breached commitments made and duties owed to customers to safeguard customer data and assets and seeks monetary damages and injunctive relief. In April 2022, the parties reached a settlement in principle to resolve this matter. The settlement agreement has been preliminarily approved by the court.

Massachusetts Securities Division Matter

In December 2020, the Enforcement Section of the Massachusetts Securities Division ("MSD") filed an administrative complaint against RHF, which stems from an investigation initiated by the MSD in July 2020. The complaint alleged three counts of Massachusetts securities law violations regarding alleged unethical and dishonest conduct or practices, failure to supervise, and failure to act in accordance with the Massachusetts fiduciary duty standard, which became effective on March 6, 2020 and had an effective enforcement date beginning

September 1, 2020. Among other things, the MSD alleged that our product features and marketing strategies, outages, and options trading approval process constitute violations of Massachusetts securities laws. MSD subsequently filed an amended complaint that seeks, among other things, injunctive relief (a permanent cease and desist order), censure, restitution, disgorgement, appointment of an independent consultant, an administrative fine, and revocation of RHF's license to operate in Massachusetts. If RHF were to lose its license to operate in Massachusetts, we would not be able to acquire any new customers in Massachusetts, and we expect that our current customers in Massachusetts would be unable to continue utilizing any of the services or products offered on our platform (other than closing their positions) and that we may be forced to transfer such customers' accounts to other broker-dealers. Additionally, revocation of RHF's Massachusetts license could trigger similar disqualification or proceedings to restrict or condition RHF's registration by other state regulators. A revocation of RHF's license to operate in Massachusetts would result in RHF and RHS being subject to statutory disqualification by FINRA and the SEC, which would then result in RHF needing to obtain relief from FINRA subject to SEC review in order to remain a FINRA member and RHS possibly needing relief from FINRA or other SROs.

In April 2021, RHF filed a complaint and motion for preliminary injunction and declaratory relief in Massachusetts state court seeking to enjoin the MSD administrative proceeding and challenging the legality of the Massachusetts fiduciary duty standard. In September 2021, the parties filed cross-motions for partial judgment on the pleadings. In March 2022, the court ruled in favor of RHF, declaring that the Massachusetts fiduciary duty regulation was unlawful. The MSD is appealing the ruling. A hearing on the two remaining counts alleged by the MSD in its amended administrative complaint is scheduled to begin in March 2023.

Text Message Litigation

In August 2021, Cooper Moore filed a putative class action against RHF alleging that RHF initiated or assisted in the transmission of commercial electronic text messages to Washington State residents without their consent in violation of Washington state law. The complaint seeks statutory and treble damages, injunctive relief, and attorneys' fees and costs. The case is currently pending in the U.S. District Court for the Western District of Washington. RHF filed a motion to dismiss the complaint. In February 2022, Moore and Andrew Gillette filed an amended complaint, which RHF again moved to dismiss. In August 2022, the court denied RHF's motion to dismiss.

Early 2021 Trading Restrictions Matters

Beginning on January 28, 2021, due to increased deposit requirements imposed on RHS by the NSCC in response to unprecedented market volatility, particularly in certain securities, RHS temporarily restricted or limited its customers' purchase of certain securities, including GameStop Corp. and AMC Entertainment Holdings, Inc., on our platform (the "Early 2021 Trading Restrictions").

A number of individual and putative class actions related to the Early 2021 Trading Restrictions were filed against RHM, RHF, and RHS, among others, in various federal and state courts. In April 2021, the Judicial Panel on Multidistrict Litigation entered an order centralizing the federal cases identified in a motion to transfer and coordinate or consolidate the actions filed in connection with the Early 2021 Trading Restrictions in the United States District Court for the Southern District of Florida (the "MDL"). The court subsequently divided plaintiffs' claims against Robinhood into three tranches: federal antitrust claims, federal securities law claims, and state law claims. In July 2021, plaintiffs filed consolidated complaints seeking monetary damages in connection with the federal antitrust and state law tranches. The federal antitrust complaint asserted one violation of Section 1 of the Sherman Act; the state law complaint asserted negligence and breach of fiduciary duty claims. In August 2021, we moved to dismiss both of these complaints.

In September 2021, plaintiffs filed an amended complaint asserting state law claims of negligence, breach of fiduciary duty, tortious interference with contract and business relationship, civil conspiracy, and breaches of the covenant of good faith and fair dealing and implied duty of care. In January 2022, the court dismissed the state law complaint with prejudice. Plaintiffs have appealed the court's order to the United States Court of Appeals for the Eleventh Circuit.

In November 2021, the court dismissed the federal antitrust complaint without prejudice. In January 2022, plaintiffs filed an amended complaint in connection with the federal antitrust tranche and Robinhood moved to dismiss the amended complaint. In May 2022, the court dismissed the federal antitrust complaint with prejudice. Plaintiffs have appealed the court's order to the United States Court of Appeals for the Eleventh Circuit.

In November 2021, plaintiffs for the federal securities tranche filed a complaint alleging violations of Sections 9(a) and 10(b) of the Exchange Act. In January 2022, we moved to dismiss the federal securities law complaint. In August 2022, the court granted in part and denied in part Robinhood's motion to dismiss.

RHM, RHF, RHS, and our Co-Founder and CEO, Vladimir Tenev, among others, have received requests for information, and in some cases, subpoenas and requests for testimony, related to investigations and examinations of the Early 2021 Trading Restrictions from the United States Attorney's Office for the Northern District of California ("USAO"), the DOJ, Antitrust Division, the SEC's Division of Enforcement, FINRA, the New York Attorney General's Office, other state attorneys general offices, and a number of state securities regulators. Also, a

related search warrant was executed by the USAO to obtain Mr. Tenev's cell phone. There have been several inquiries based on specific customer complaints. We have also received requests from the SEC Division of Enforcement and FINRA related to employee trading in certain securities that were subject to the Early 2021 Trading Restrictions, including GameStop Corp. and AMC Entertainment Holdings, Inc., during the week of January 25, 2021. These matters include requests related to whether any employee trading in these securities may have occurred after the decision to impose the Early 2021 Trading Restrictions and before the public announcement of the Early 2021 Trading Restrictions on January 28, 2021. We are cooperating with these investigations. FINRA Enforcement has also requested information about policies, procedures, and supervision related to employee trading generally.

NOTE 8: NET CAPITAL REQUIREMENTS

We are subject to the SEC's uniform net capital rule (Exchange Act Rule 15c3-1). Advances to affiliates, dividend payments and other equity withdrawals are subject to certain notification and other provisions of the net capital rule of the SEC and other regulatory bodies. We have elected to use the alternative method permitted by the rule, which requires the maintenance of minimum net capital equal to the greater of \$0.25 million or 2% of the Rule 15c3-3 aggregate debit balances arising from customer transactions, as defined. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. Our net capital balance changes day to day, but on December 31, 2022, we had net capital of \$233.5 million which was \$233.2 million in excess of our required net capital of \$0.25 million.

NOTE 9: SUBSEQUENT EVENTS

We have evaluated events subsequent to the date of the statement of financial condition for items requiring recording or disclosure in the financial statement. The evaluation was performed through February 28, 2023, the date the financial statement was available to be issued. No event took place that requires recording or disclosure in our financial statement.