

FINRA Rule 4340 Allocation Procedures



Overview

Certain securities may be called or redeemed prior to maturity. In the event of a partial redemption or call by the issuer, not all holders of the subject security participate in the redemption. Robinhood uses a lottery system by which securities are selected, on a fair and impartial basis, among our clients in the event of a partial redemption or call. The firm's impartial lottery system is constructed such that our firm selects client accounts to participate in a partial redemption or call on a statistically random basis. The likelihood of a client's securities being selected to participate in a partial redemption or call is proportionate to the total holdings of all clients of such securities at Robinhood.

(A) Favorable Redemptions

Where terms of the redemption of callable securities are favorable, employee accounts will be excluded until all other customers' positions in such securities have been satisfied.

(B) Unfavorable Redemptions

Where terms of the redemption of callable securities are unfavorable, employee accounts will not be excluded.

Allocation Procedures

- Robinhood is notified of the partial call via DTCC. DTCC determines the number of shares that will be called.



- Once notified the corporate action representative determines if the terms of the call are Favorable or Unfavorable.
- If Favorable – The Corporate Action Representative will request Engineers to run a lottery script that excludes employee accounts, the script will impartially select accounts and shares to meet the call.
- If Unfavorable– The Corporate Action Representative will request Engineers to run a lottery script that includes both customer and employee accounts, the script will impartially select accounts and shares to meet the call.
- Once accounts are determined– shares will be removed and the cash redemption will be credited to the accounts.
- Communications to customers will be sent the same day the Redemption/Full call entries are made in the customer account.