

# FINRA Rule 4340 Allocation Procedures



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## 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.