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## Disclosure Statement

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**THIS DOCUMENT PROVIDES DISCLOSURES REQUIRED OR RECOMMENDED BY THE FOLLOWING ACTS, RULES, REGULATIONS OR REPORTS.**

- ❖ Financial Industry Regulatory Authority® (FINRA®)
  - Rule 2264 (Margin Disclosure Statement)
  - Rule 2266 (Securities Investor Protection Corporation® [SIPC®])
  - Rule 2267 (Investor Education and Protection)
  - Rule 4311 (Carrying Agreements)
  - Rule 4370 (Business Continuity Plans and Emergency Contact Information)
- ❖ Regulation E of the Consumer Financial Protection Bureau (Electronic Transfers)
- ❖ The Securities Exchange Act of 1934 (Exchange Act of 1934)
- ❖ Securities and Exchange Commission (SEC)
  - Rule 10b-10 (Electronic Confirmations)
  - Rule 17f-1 (Lost Securities)
  - Regulation National Market System (NMS) 606 & 607 (Customer Account Statements)

**PLEASE READ THIS DOCUMENT CAREFULLY AND RETAIN IT FOR FUTURE USE. IN PARTICULAR, YOU SHOULD REVIEW “[CREDIT AND MARGIN DISCLOSURES](#),” BEGINNING ON PAGE 8.**



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**CONTENTS**

**SELF-DIRECTED INVESTING** **3**

**DISCLOSURES REQUIRED BY FINRA RULE 4311** **3**

    Responsibilities of Introducing Broker-Dealer, Robinhood Financial 4

    Responsibilities of Clearing Agent – Robinhood Securities 4

    No Advice 5

    Clear-Through Relationships 7

    FINRA RULE 2264 7

**CREDIT AND MARGIN DISCLOSURES** **7**

**EXCHANGE ACT OF 1934** **8**

    Complaints 9

**SEC REGULATION NMS RULE 606 & 607** **9**

    Payment for Order Flow Practices 9

**SERVICES AND TRADING AUTHORIZATION FOR ACCOUNTS** **10**

**FINRA RULE 2266 – ACCOUNT PROTECTION** **12**

**FINRA RULE 2267 – FINRA GATEWAY** **12**

    FINRA BrokerCheck Program 12

**FINRA RULE 4370 – BUSINESS CONTINUITY** **12**

**REGULATION E** **12**

    Lost Securities 13

**ADDITIONAL DISCLOSURES** **13**

    Transactions in Listed Options 13

    Liens and Levies 13

    Confirmations of Executions and/or Cancellations 14



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## SELF-DIRECTED INVESTING

THE ACCOUNT HOLDER ACKNOWLEDGES THAT THE ACCOUNT HOLDER ALONE IS RESPONSIBLE FOR DETERMINING THE SUITABILITY OF THEIR INVESTMENT CHOICES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES. THE ACCOUNT HOLDER UNDERSTANDS THAT ROBINHOOD SECURITIES ASSUMES NO RESPONSIBILITY FOR SUCH DETERMINATION. As a self-directed investor, the Account Holder assumes full responsibility for each and every transaction in or for their Account and for their own investment strategies and decisions. The Account Holder understands and agrees that Robinhood Securities have no liability whatsoever for the results of the Account Holder's investment strategies, transactions, and decisions or those of an Authorized Agent.

In a brokerage relationship, even if Robinhood Securities makes a Recommendation to the Account Holder, the Account Holder is ultimately responsible for making investment decisions for the Account. Robinhood Securities does not make investment decisions for the Account Holder and does not exercise investment discretion over the Account. Robinhood Securities will only buy or sell securities for the Account at the Account Holder's direction.

## DISCLOSURES REQUIRED BY FINRA RULE 4311

The firm with which you have opened your securities account (account) utilizes Robinhood Securities, ("RHS") to provide certain record keeping or operational services. These services—such as the execution and settlement of securities transactions, custody of securities and cash balances, and extension of credit on margin transactions—are provided under a written Clearing Agreement between Robinhood Securities and the broker-dealer, Robinhood Financial ("RHF"). The Financial Investment National Regulatory Agency (FINRA) has responsibility for certain regulatory functions of the New York Stock Exchange (NYSE). FINRA has combined the former NASD (NASD is the predecessor to FINRA) rulebook with the NYSE rules with the goal of having a consolidated rulebook. Former NASD Notices to Members will continue to be referred to as NASD NTM or NTM. FINRA Notices will be referred to as Regulatory Notices. As a member of FINRA, Robinhood Securities is required (under FINRA



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Rule 4311) to disclose to you the details of its Clearing Agreement with your firm, which are summarized below.

## Responsibilities of Introducing Broker–Dealer, Robinhood Financial

Your firm has the responsibility to:

- ❖ Approve the opening of your account;
- ❖ Obtain necessary documentation to help fight the funding of terrorism and money laundering activities (Note: U.S. law and international best practices require firms to obtain, verify and record information that identifies each person who opens an account. This information may be used to perform a credit check and verify your identity through internal sources or third–party vendors);
- ❖ Service and supervise your account through its own personnel; in accordance with its own policies, procedures, applicable laws, regulations and rules;
- ❖ Know you and your stated investment objectives;
- ❖ Assess whether particular kinds of transactions—such as margin, options and IPO transactions—are appropriate for you;
- ❖ Accept securities orders;
- ❖ Know the transaction details regarding any orders for the purchase or sale of securities in your account;
- ❖ Comply with fair pricing and disclosure responsibilities (if your firm should become a market maker in any securities or otherwise trades as principal with you);
- ❖ Correctly identify and promptly forward cash or securities intended for your account to Robinhood Securities;
- ❖ Supervise the activities of any individual who services your account;
- ❖ Investigate any complaints regarding the handling of your account;
- ❖ Manage the ongoing relationship that it has with you.

Robinhood Securities has no involvement and assumes no responsibility in all of the



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above matters relating to the servicing of your account.

## Responsibilities of Clearing Agent – Robinhood Securities

In general, Robinhood Securities is only responsible for the services within the scope of the Clearing Agreement that is provided at the request of your firm and contains specific direction regarding your account. As such, Robinhood Securities may fulfill the following responsibilities on behalf of your account:

- ❖ Create computer-based account records;
- ❖ Process orders for the purchase, sale or transfer of securities (Robinhood Securities is not obligated to accept orders directly from you and will do so only in exceptional circumstances);
- ❖ Provide margin to the extent that you choose to and are deemed eligible for this service.
- ❖ Receive and deliver cash and securities;
- ❖ Record such receipts and deliveries according to information provided either by your firm or directly, in writing, by you;
- ❖ Hold securities and cash in custody (after they come into Robinhood Securities physical possession or control);
- ❖ Collect and disburse dividends, capital gains and interest;
- ❖ Process reorganization and voting instructions with respect to securities held in custody;
- ❖ Prepare and transmit confirmations of trades to you;
- ❖ Prepare and transmit periodic account statements summarizing transactions;
- ❖ Provide your firm with written reports of all transactions processed for your account to enable your firm to carry out its responsibilities under the Clearing Agreement;
- ❖ Assist you and your firm with any discrepancies or errors that may occur in the processing of transactions;



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## No Advice

The Account Holder acknowledges and agrees that Robinhood Securities is not acting as an investment adviser with respect to the Account or Account Holder and that the Service provided is brokerage and not advisory services. Except as set forth below with respect to Recommendations (as defined below), any collection of financial data from the Account Holder, and any evaluation or analysis of such data by Robinhood Securities, is to assist Robinhood Securities's compliance and risk management efforts and is not for the purpose of rendering advice regarding the suitability, profitability, or appropriateness for the Account Holder of any security, investment, financial product, investment strategy, or other matter. The Account Holder acknowledges and agrees that the Account Holder and the Account Holder's investment adviser, if any, are solely responsible for all investment decisions regarding the Account and will not rely on any general information provided by Robinhood Securities as the sole basis for any investment decision.

The Account Holder understands that the research, analysis, news, tools, and other information made available through the Service is not in any way tailored to reflect the Account Holder's personal financial circumstances or investment objectives, and the securities and investment strategies discussed may not be suitable for the Account Holder and do not in any way constitute a Recommendation as provided below of an account type, particular security, or investment strategy by Robinhood Securities.

If the Account Holder opens a margin account, Robinhood Securities may:

- ❖ Loan money for the purpose of purchasing or holding securities (subject to the terms of Robinhood Securities written Margin Agreement, margin policies and applicable margin regulations);
- ❖ Calculate the amount of maintenance margin required and advise the Account Holder of those requirements (usually through your firm);
- ❖ Calculate any interest charged the Account Holder debit balance;



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In connection with all of the functions that Robinhood Securities performs, Robinhood Securities maintains the books and records required by law and business practice.

The Clearing Agreement does not encompass transactions in commodities futures contracts or investments other than marketable securities, which Robinhood Securities normally processes on recognized exchanges and over-the-counter (OTC) markets. In furnishing Robinhood Securities services under the Clearing Agreement, Robinhood Securities may use and rely upon the services of clearing agencies, automatic data processing vendors, proxy processing vendors, transfer agents, securities pricing services and other similar organizations.

This document addresses the basic allocation of functions regarding the handling of your account. It is not meant as a definitive enumeration of every possible circumstance, but only as a general disclosure.

Robinhood Securities does not control, audit or otherwise supervise the activities of your firm, Robinhood Financial or its employees.

Robinhood Securities does not verify information provided by your firm, Robinhood Financial, regarding your account or transactions processed for your account, however we do have a duty to report to Robinhood Financial any erroneous information or transaction details if identified by us.

Robinhood Securities does not undertake responsibility for reviewing the appropriateness of transactions entered by you through your firm, Robinhood Financial, and on your behalf.

## Clear-Through Relationships

In certain circumstances, your account may be introduced to Robinhood Securities through an intermediary other than the firm with which you opened your account, Robinhood Financial.

This intermediary is commonly called a “clear-through broker,” with the agreement between the clear-through broker and your firm called a “clear-through relationship.” In this situation, the clear-through broker is the agent of the firm with which you opened your account, and will be identified on your confirmations and statements in the upper left-hand corner. This disclosure statement should be read to encompass the fact that the two financial



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intermediaries exist. Therefore, where the context requires, “financial organization” and firm should be read to cover both the clear-through broker and the firm with which you opened your account, Robinhood Financial. If you have any questions about this, you should contact the firm with which you opened your account.

## FINRA RULE 2264

FINRA Rule 2264 requires certain credit and margin disclosures.

## CREDIT AND MARGIN DISCLOSURES

**Cash Accounts.** At Robinhood Securities discretion, cash accounts may be subject to interest on any debit balances (in any currency) resulting from:

- ❖ Securities purchased and not paid for by the settlement date;
- ❖ Untimely delivery of securities sold;
- ❖ Proceeds of sales paid prior to the settlement date;
- ❖ Other charges that may be made to the account;

**Margin Accounts.** Purchases of securities on credit, commonly known as “margin purchases,” enable you to increase the buying power of your equity and thus increase the potential for profit or loss.

A portion of the purchase price is deposited when buying securities on margin, and Robinhood Securities extends credit for the remainder. This loan will appear as a debit balance on your monthly account statement.

Robinhood Securities will charge interest on the debit balance and requires you to maintain securities or cash to repay the loan and its interest.

Interest will be charged in the underlying currency for any credit extended to you, which may include:

- ❖ Buying, trading or carrying securities



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- ❖ Cash withdrawals made against the collateral of securities
  - ❖ Payments made in advance of settlement on the sale of securities (from date of payment until settlement date)

Further information can be found by accessing the following links:

- ❖ [RHF and RHS Margin Disclosure Agreement Statement;](#)
- ❖ [RHF-RHS Customer Margin and Short Account Agreement;](#)
- ❖ [RHF Fee Schedule;](#)
- ❖ [RHF-RHS Customer Agreement](#)

## EXCHANGE ACT OF 1934

The Exchange Act of 1934 requires that Robinhood Securities annually disclose a Statement of Financial Condition.

### Robinhood Statement of Financial Condition – Net Capital 12/31/2020

As a registered broker-dealer, we are subject to the SEC's Uniform Net Capital Rule (SEA 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 us to maintain net capital equal to the greater of 2% of aggregate customer-related debit items in the customer reserve computation under SEA Rule 15c3-3 or \$0.25 million. The most current copy of the Statement of Financial Condition is available [here](#).



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## Complaints

Complaints concerning services provided by Robinhood Securities may be directed to:

### Complaints

Robinhood Securities, Legal Department

500 Colonial Center Parkway

Suite 100

Lake Mary, FL 32746

## SEC REGULATION NMS RULE 606 & 607<sup>1</sup>

SEC Regulation NMS Rule 606 & 607 requires Robinhood Securities to disclose its payment for order flow practices.

### Payment for Order Flow Practices

Robinhood Securities sends certain equity and listed options orders to market makers. Further information can be found by accessing the following [link](#).

## SERVICES AND TRADING AUTHORIZATION FOR ACCOUNTS

Your Account is self-directed, and you are solely responsible for any and all orders placed in your Account, for your investment decisions, and for determining the suitability of any particular transaction, security, or investment strategy. You agree that all orders entered by you (or on your behalf) are based on your own investment decisions. The Account Holder understands that the Authorized Agent, Robinhood Financial, is an agent of the Account Holder and not of any Robinhood Securities Entities and that the terms of this Customer Agreement will continue to govern the terms of the Service provided by Robinhood Securities.

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<sup>1</sup> [§242.607](#)



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to the Account Holder. Without limiting any other provision of this disclosure statement, the Account Holder understands and agrees that, between the Account Holder and Robinhood Securities:

1. The Account Holder agrees not to allow any person to place orders or provide instructions with respect to the Account unless a trading authorization for that person has been received and approved by the Authorized Agent, Robinhood Financial.
2. The Account Holder has selected the Authorized Agent, Robinhood Financial, based on criteria that the Account Holder deems appropriate for the Account Holder's investment needs and will not hold Robinhood Securities responsible for the Account Holder's decision to hire and use the Authorized Agent, Robinhood Financial.
3. All decisions relating to the Account Holder's investment or trading activity shall be made solely by the Account Holder.
4. Robinhood Securities is authorized to accept and act on the instructions of the Authorized Agent until Robinhood Securities receives the notice revoking such authority from Robinhood Financial and has had a reasonable amount of time to act on such notice.
5. Robinhood Securities is further authorized to act on the Authorized Agent's instructions to aggregate orders for the Account with orders for one or more other accounts over which the Authorized Agent has trading authorization or to accept or deliver assets in transactions executed by third parties where the Authorized Agent has so aggregated orders. Refer to the section on [Margin](#) for credit.
6. In no event will Robinhood Securities be responsible for or assume the obligations of Robinhood Financial.
7. No Authorized Agent, whether or not affiliated with Robinhood Securities, is authorized to make representations or act on behalf of Robinhood Securities.
8. Robinhood Securities has no responsibility for and will not participate in or review the Account Holders trading decisions or in any way review, monitor, or supervise the suitability or frequency of the investment or trading activity in the customer's account.



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Robinhood Securities will maintain and monitor their own books and records according to applicable policies.

9. Robinhood Securities will not have any duty to inquire into the authority of Robinhood Financial or into the suitability or trading activity of the Account Holder.

## Electronic Confirmations

Certain clients receive electronic confirmation through the Depository Trust Company (DTC) or other delivery systems in lieu of hard copy confirms. You should be aware that any terms, conditions and disclosures set forth on hard copy confirmations will continue to apply to each confirmation processed electronically, including the following:

- ❖ Securities purchased on a cash or margin basis are, or may be, hypothecated and, under such circumstances, commingled with securities carried for other clients. Such securities will be withdrawn from hypothecation after receipt of payment.
- ❖ If sufficient funds are not already in your cash account to cover a purchase transaction, it is agreed that you will (1) make full payment for the securities described on the confirmation no later than the stated settlement date, and (2) not sell such securities prior to making payment.
- ❖ If Robinhood Securities does not receive full payment for securities purchased by you, Robinhood Securities may, at its option, cancel the transaction without notice to you.
- ❖ You will be liable to Robinhood Securities for any loss without limitation, including all expenses, attorney's fees, and other costs incurred by Robinhood Securities, and interest thereon, as a result of a cancelled or liquidated transaction.

## FINRA RULE 2266 – ACCOUNT PROTECTION

FINRA Rule 2266 requires Robinhood Securities to disclose SIPC contact information.

### SIPC Contact Information

As a member of the Securities Investor Protection Corporation (SIPC), funds are available to meet customer claims up to a ceiling of \$500,000, including a maximum of \$250,000 for cash



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claims. For additional information regarding SIPC coverage, including a brochure, please contact SIPC at (202) 371-8300 or visit [www.sipc.org](http://www.sipc.org) . SIPC protection does not protect against a loss in the market value of securities.

## FINRA RULE 2267 – FINRA GATEWAY

FINRA Rule 2267 requires Robinhood Securities to provide information about FINRA’s BrokerCheck program ( <https://brokercheck.finra.org/> ).

### FINRA BrokerCheck Program

An investor brochure that includes information describing FINRA BrokerCheck may be obtained from FINRA. The FINRA BrokerCheck Hotline Number is (800) 289-9999. The FINRA website address is [finra.org](http://finra.org).

## FINRA RULE 4370 – BUSINESS CONTINUITY

FINRA Rule 4370 requires the disclosure of Robinhood Securities business continuity plan in the event an interruption occurs to Robinhood Securities’ normal course of business. Further information can be found by accessing the following [link](#).

## REGULATION E

Regulation E of the Consumer Financial Protection Bureau establishes disclosures regarding electronic transfers. Regulation E provides guidelines for consumers and banks or other financial institutions in the context of electronic funds transfers. These include transfers with automated teller machines (ATMs), point-of-sale transactions, and automated clearing house (ACH) systems. Rules pertaining to consumer liability for unauthorized card usage fall under this regulation as well. Robinhood Securities does not perform any electronic transfers for end investors. This function is performed and managed by Robinhood Financial. Please note that this disclosure section is not applicable to international remittance transfers.



## SEC RULE 17F-1

SEC Rule 17f-1 requires that all lost or stolen securities be reported.

## Lost Securities

If your periodic client statement indicates that securities were forwarded to you and you have not received them, you should immediately notify your broker-dealer. If notification is received within 120 days after the mailing date, as reflected on your periodic statement, replacement will be made free of charge. Thereafter, a fee for replacement may apply.

## ADDITIONAL DISCLOSURES

### Transactions in Listed Options

If you purchase options listed on the U.S. national options exchanges, you should review the Characteristics and Risks of Standardized Options disclosure published by The Options Clearing Corporation (OCC). You may obtain a copy of the options disclosure document from your advisor or by visiting the OCC website at [www.optionsclearing.com/about/publications/character-risks.jsp](http://www.optionsclearing.com/about/publications/character-risks.jsp).

### Liens and Levies

If, for any reason, your account is subject to a lien or levy directed to Robinhood Securities, Robinhood Securities will advise the requesting entity that the request should be made to Robinhood Financial where the Account Holder account is held.

### Important Notice California Residents



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Pursuant to [California state law \(Part 3, Title 10, Chapter 7\)](#)<sup>2</sup>Robinhood Securities, as custodian of your assets, may be required to transfer your assets to the State of California in the event that no activity occurs within the statutorily defined time period. The state law defines the time period as 24 to 30 months where there is no activity within the account, or communication between the account owner and Robinhood Financial.

## Confirmations of Executions and/or Cancellations

Confirmations of executions or cancellations may be delayed, erroneous (e.g., due to computer system issues) or cancelled/adjusted by an exchange or market center. Any reporting or posting errors, including errors in execution prices or cancellations, will be corrected to reflect what actually occurred in the marketplace; you will be bound by such terms. The cancellation of an order is not guaranteed. The order will only be cancelled if the request to cancel is received by the market center to which the order was routed and matched with the order to be cancelled before it is executed. During market hours, it is rarely possible to cancel a market order or a marketable limit order, as such orders are subject to immediate execution. You should not assume that any order has been executed or canceled until you have received a transaction or cancellation confirmation from Robinhood Securities.

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<sup>2</sup> [CA Civ Pro Code § 1510 \(2019\)](#)