ROBINHOOD SECURITIES, LLC

STATEMENT OF FINANCIAL CONDITION

(UNAUDITED)

June 30, 2021

ROBINHOOD SECURITIES, LLC
STATEMENT OF FINANCIAL CONDITION
(Unaudited)

(in thousands)	June 30, 2021
Assets	
Cash	$ 2,352,540
Cash and securities segregated under federal and other regulations	5,374,594
Receivable from users, net	5,396,173
Receivable from brokers, dealers and clearing organizations	159,397
Deposits with clearing organizations	271,954
Other assets	1,466,145
Total assets	$ 15,020,803
Liabilities and member's equity	
Liabilities:	
Payable to users	$ 7,945,932
Securities loaned	2,642,900
Accrued expenses and other liabilities	1,451,842
Due to affiliated broker-dealer	89,326
Payable to brokers, dealers and clearing organizations	16,550
Due to Parent	7,287
Total liabilities	12,153,837
Commitments and contingencies (Note 13)	
Member's equity:	
Total member's equity	2,866,966
Total liabilities and member's equity	$ 15,020,803

The accompanying notes are an integral part of the unaudited financial statement.

NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

Robinhood Securities, LLC (the "Company", "we", "us" or "RHS") is a wholly-owned subsidiary of Robinhood Markets, Inc. (the "Parent" or "RHM"). We are a registered clearing broker-dealer in securities under the Securities and Exchange Act of 1934. We are a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

We clear trades for retail user accounts introduced by Robinhood Financial LLC ("RHF"), an affiliated introducing broker-dealer, on a fully disclosed basis. We have a fractional shares program which allows users to purchase and sell fractions of a share in certain equities, enabling users to place real-time fractional share orders in dollar amounts or share amounts, with purchases rounded to the nearest penny and the ability to purchase as small as 1/1,000,000 of a share. We also offer a cash sweep program which allows users' uninvested cash balances to earn interest with program banks insured by Federal Deposit Insurance Corporation ("FDIC").

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus referred to as "COVID-19" to be a global pandemic. The COVID-19 pandemic has negatively impacted the global economy and caused significant volatility in the financial markets. In response to the pandemic, we have enabled nearly all of our employees to work remotely and have restricted business travel. Throughout the COVID-19 pandemic, we have seen substantial growth in our user base, retention, engagement and trading activity metrics, as well as continued gains and periodic all-time highs achieved by the equity markets generally. During the COVID-19 pandemic, we have seen an increasing interest in personal finance and investing, coupled with low interest rates and a positive market environment, especially in the U.S. equity markets, that has encouraged an unprecedented number of first-time retail investors to become our customers and begin trading on our platform. At the same time, the COVID-19 pandemic has resulted, in part, in inefficiencies or delays in our business, operational challenges and additional costs related to business continuity initiatives as our workforce has fully transitioned to remote working. The extent of the impact of COVID-19 on our business and financial results will depend largely on future developments, including the duration of the pandemic, actions taken to contain COVID-19 or address its impact, the ability to reintegrate our workforce or to adapt to the long-term distributed workforce model (with some employees part or full-time remote, and others not) we expect to adopt, the impact on capital and financial markets and the related impact on the financial circumstances of our customers, all of which are highly uncertain and cannot be predicted.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited statement of financial condition has been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

Use of estimates

The preparation of the unaudited statement of financial condition in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts in the unaudited statement of financial condition. We base our estimates on historical experience, and other assumptions we believe to be reasonable under the circumstances, which together form the basis for making judgments about the carrying values of assets and liabilities. Assumptions and estimates used in preparing our unaudited statement of financial condition include those related to the determination of allowances for credit losses and contingent liabilities. Actual results could differ from these estimates and could have a material adverse effect on our unaudited statement of financial condition.

Concentration of credit risk

We are engaged in various trading and brokerage activities in which counterparties include broker-dealers, banks, and other financial institutions. 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.

20210902-1824725-5611953

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 no amount within the range is considered a better estimate than any other amount, an accrual for losses is recorded based on the bottom amount of the range. Accrual for loss contingencies are recorded in accrued expenses and other liabilities on the unaudited statement of financial condition. 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.

Cash

Cash includes interest and non-interest bearing deposits with banks that are not segregated and deposited for regulatory purposes. We maintain cash in bank accounts at financial institutions that exceed federally insured limits. 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. As 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, we do not have an expectation of credit losses for these arrangements.

Cash and securities segregated under federal and other regulations

We are required to segregate cash and/or qualified securities for the exclusive benefit of customers, as defined by Rule 15c3-3, and proprietary securities account of a broker or dealer ("PAB") in accordance with the provision of Rule 15c3-3 under the Securities Exchange Act ("SEA") of 1934. Throughout the unaudited statement of financial condition, the term "users" is defined as customers under SEA Rule 15c3-3. We continually review the credit quality of our counterparties and have not experienced a default. As a result, we do not have an expectation of credit losses for these arrangements.

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 unaudited statement of financial condition 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.

Receivable from and payable to users

Receivable from users, net is primarily made up of margin receivables. These transactions are recorded on settlement date basis. Margin receivables are adequately collateralized by users' marketable securities balances and are reported at their outstanding principal balance, net of an allowance for credit losses. We monitor margin levels and require users to deposit additional collateral, or reduce margin positions, to meet minimum collateral requirements and avoid automatic liquidation of their positions.

20210902-1824725-5611953

We have no expectation of credit losses for margin loans where the fair value of the collateral securing the loans is equal to or in excess of the loaned amount. In cases where the fair value of the collateral is less than the outstanding balance, we recognize an allowance for credit losses in the amount of the difference, or unsecured balance. We write-off unsecured balances when the balance becomes outstanding for over 180 days.

We are indemnified by RHF for losses incurred in connection with unsecured users' receivables. Unsecured user receivables that are not collected from RHF are treated as a non-allowable asset in our net capital computation. If any of the unsecured user receivables become secured or collected, we will pay RHF back the amount collected.

Payables to users represent free credit balances from users' uninvested deposits and/or funds attributed to users as a result of settled trades and other security related transactions.

Receivable from and payable to brokers, dealers and clearing organizations

Receivables from brokers, dealers and clearing organizations primarily include receivables from executing brokers for routing user orders for execution, receivables for securities not delivered by us to the counterparties by the settlement date ("securities failed to deliver"), and interest receivable on securities borrowed and securities loaned.

Payables to brokers, dealers and clearing organization primarily include payables for securities not received by us from a counterparty by the settlement date ("securities failed to receive").

These receivables and payables are short-term and normally settle within 30 days. Aged receivables from brokers, dealers and clearing organizations are treated as non-allowable assets in our net capital computation. We continually review the credit quality of our counterparties and have not experienced a default. As a result, we do not have an expectation of credit losses for these arrangements.

Deposits with clearing organizations

We are required to maintain cash collateral as deposits with clearing organizations such as Depository Trust & Clearing Corporation and Options Clearing Corporation which allows us to use their security transactions services for trade comparison, clearance and settlement. The clearing organizations establish financial requirements, including deposits, to reduce their risk. The deposits may fluctuate significantly from time to time based upon the nature and size of users' trading activity and market volatility. As we have not experienced historic defaults, we do not have an expectation of credit losses for these arrangements.

Other assets

Other assets primarily include securities owned by us for our fractional shares program and proxy rebate receivables. We evaluate proxy rebate receivables 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. We write-off the receivables when deemed uncollectible and any recovery are recorded as a reduction to our allowance for credit losses.

Fractional share program

We maintain an inventory of securities held exclusively for the fractional share program, which is operated by RHF. This proprietary inventory is recorded within other assets on our unaudited statement of financial condition. When a user purchases a fractional share, we record the cash received for the user-held fractional share as pledged collateral recorded within other assets on our unaudited statement of financial condition and an offsetting liability to repurchase the shares, recorded within accrued expenses and other liabilities on our unaudited statement of financial condition, as we concluded that we did not meet the criteria for derecognition under the accounting guidance. We measure our inventory of securities, user-held fractional shares and our repurchase obligation at fair value at each reporting period.

Securities borrowed and loaned

Securities borrowed and loaned result from transactions with other brokers, dealers or financial institutions. Securities borrowing transactions require us to deposit cash with the lender whereas securities lending transactions result in us receiving cash collateral, with both requiring cash in an amount generally in excess of the market value of the securities. Substantially all securities borrow and loan transactions have an open contractual term and, upon notice by either party, may be terminated within three business days. We manage risks associated with our securities lending and borrowing activities by requiring credit approvals for counterparties, by monitoring the market value of securities loaned and collateral values for securities borrowed on a daily basis and requiring additional cash as collateral for securities loaned or return of collateral for securities borrowed when necessary, and by participating in a risk-sharing program offered through the Options Clearing Corporation. Our securities lending transactions are subject to enforceable master netting arrangements with other broker-dealers, however; we do not net securities lending transactions. We apply the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for securities borrowed receivables. Securities borrowed are included in receivable from brokers, dealers and clearing organizations on our unaudited statement of financial condition.

Accrued expenses and other liabilities

Accrued expenses and other liabilities primarily includes repurchase obligations related to our fractional share program. For our fractional shares program, we concluded that we did not meet the criteria for transfers under the accounting guidance, accordingly our repurchase obligations are presented in our unaudited statement of financial condition as a liability.

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 unaudited statement of financial condition. 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: ACCOUNTING PRONOUNCEMENT

Recently Adopted Accounting Pronouncements

There are no recently adopted accounting pronouncements that would materially impact our unaudited statement of financial condition and related disclosures.

Recent Accounting Pronouncements Not Yet Adopted

There are no recently issued accounting pronouncements that would materially impact our unaudited statement of financial condition and related disclosures.

NOTE 4: CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

In accordance with the provision of Rule 15c3-3 under the Securities Exchange Act of 1934, we are required to segregate cash and/or qualified securities for the exclusive benefit of customers and PAB.

Cash and securities segregated under federal and other regulations consisted of the following:

(in thousands)	**June 30, 2021**
Customers	$ 5,355,636
PAB	18,958
Total	$ 5,374,594

20210902-1824725-5611953

NOTE 5: RECEIVABLE FROM AND PAYABLE TO, BROKERS, DEALERS AND CLEARING ORGANIZATIONS

The components of receivable from, and payable to, brokers, dealers and clearing organizations are as follows:

(in thousands)	June 30, 2021
Receivable from brokers, dealers and clearing organizations:	
Executing broker receivables	$ 93,628
Securities failed to deliver	47,629
Securities lending interest receivable	16,962
Other brokers, dealers and clearing organizations receivables	1,178
Total receivable from brokers, dealers and clearing organizations	$ 159,397
Payable to brokers, dealers and clearing organization:	
Securities failed to receive	$ 16,032
Other brokers, dealers and clearing organizations payables	518
Total payable to brokers, dealers and clearing organizations	$ 16,550

NOTE 6: ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the allowance for credit losses, which primarily relates to unsecured balances of receivables from users, for the period indicated:

(in thousands)	Six Months Ended June 30, 2021
Beginning balance	$ 40,954
Allowance for credit losses(1)	56,519
Write-offs	(35,583)
Ending balance	$ 61,890

(1) We are indemnified by RHF for losses incurred in connection with unsecured users' receivables. See Note 2 - Summary of Significant Accounting Policies for more information. During the six months ended June 30, 2021, RHF indemnified us $54.7 million for unsecured losses.

NOTE 7: FAIR VALUE OF ASSETS AND LIABILITIES

We measure our securities segregated under federal and other regulations and equity securities owned for fractional shares programs at fair value. We have evaluated the estimated fair value of financial instruments using available market information.

As of June 30, 2021, the types of instruments valued based on quoted market prices for the same instrument in active markets include U.S. Treasury securities and publicly traded stocks owned by us. Repurchase obligations in connection with the fractional shares program are also measured at fair value. Such instruments are classified within Level 1 of the fair value hierarchy.

We did not have any instruments classified within Level 2 or Level 3 as of June 30, 2021.

Financial assets and liabilities measured at fair value on a recurring basis as of the date indicated below were presented on our unaudited statement of financial condition as follows:

	June 30, 2021	
(in thousands)	**Level 1**	**Total**
Assets		
Cash and securities segregated under federal and other regulations:		
U.S. Treasury securities	$ 349,984	$ 349,984
Other assets:		
Equity securities - user-held fractional shares	1,430,855	1,430,855
Equity securities - securities owned	1,524	1,524
Total financial assets	$ 1,782,363	$ 1,782,363
Liabilities		
Accrued expenses and other liabilities:		
Equity securities - fractional share repurchase obligations	$ 1,430,855	$ 1,430,855
Total financial liabilities	$ 1,430,855	$ 1,430,855

During the six months ended June 30, 2021, we did not have any transfers in or out of Level 1, Level 2, or Level 3 assets or liabilities.

NOTE 8: OFFSETTING ASSETS AND LIABILITIES

Certain financial instruments are eligible for offset on our unaudited statement of financial condition under GAAP. Our securities borrowing and lending agreements are subject to master netting arrangements and collateral arrangements and meet the GAAP guidance to qualify for offset. A master netting arrangement with a counterparty creates a right of offset for amounts due to and from that same counterparty that is enforceable in the event of a default or bankruptcy. Our policy is to recognize amounts subject to master netting arrangements on a gross basis on the unaudited statement of financial condition.

Our assets and liabilities subject to master netting arrangements are as follows:

(in thousands)		June 30, 2021
Assets		**Securities borrowed**
Gross amount of securities borrowed	$	754
Gross amount offset on the unaudited statement of financial condition		—
Amounts of assets presented on the unaudited statement of financial condition[1]		754
Gross amount of securities borrowed not offset on the unaudited statement of financial condition:		
Securities borrowed		754
Security collateral received		(727)
Net amount	$	27

Liabilities		**Securities loaned**
Gross amount of securities loaned	$	2,642,900
Gross amount of securities loaned offset on the unaudited statement of financial condition		—
Amounts of liabilities presented on the unaudited statement of financial condition		2,642,900
Gross amount of securities loaned not offset on the unaudited statement of financial condition:		
Securities loaned		2,642,900
Security collateral pledged		(2,531,114)
Net amount	$	111,786

(1) Securities borrowed are included in receivable from brokers, dealers and clearing organizations on the unaudited statement of financial condition.

We also obtain securities under margin agreements on terms which permit us to pledge and/or transfer securities to others. As of June 30, 2021, we were permitted to re-pledge securities with a fair value of $7,517.0 million under the margin agreements and $0.7 million under the securities lending agreements. As of June 30, 2021, we re-pledged $165.5 million of the permitted to re-pledge amount with clearing organizations to meet deposit requirements. Gross obligations for securities loaned transactions are pledged entirely with collateral in the form of equities and generally have an open contractual maturity.

NOTE 9: OTHER ASSETS

The following table presents the detail of other assets:

(in thousands)		June 30, 2021
User-held fractional shares	$	1,430,855
Proxy rebate receivables		23,212
Other		12,078
Total other assets	$	1,466,145

NOTE 10: ACCRUED EXPENSES AND OTHER LIABILITIES

The following table presents the detail of accrued expenses and other liabilities:

(in thousands)	June 30, 2021
Fractional share repurchase obligations	$ 1,430,855
Accrued expenses	18,789
Other	2,198
Total accrued expenses and other liabilities	$ 1,451,842

NOTE 11: FINANCING ACTIVITIES AND OFF-BALANCE SHEET RISK

Revolving credit facilities

As of June 30, 2021, we had seven revolving and unsecured lines of credit with the Parent for a total of $1,050.0 million of which $300.0 million was committed and $750.0 million was uncommitted. Interest on these lines of credit is based on the effective federal rate as determined by Internal Revenue Service (“IRS”). These lines of credit have no maturity date and remain in effect until terminated by either party. There were no outstanding borrowings against these lines of credit as of June 30, 2021. There are no covenants to the lines of credit with the Parent.

In September 2019, we entered into a $400.0 million committed and secured line of credit with a non-affiliated bank with a maturity date of September 25, 2020 (the “September 2019 Credit Facility”). In June 2020, we amended the September 2019 Credit Facility and increased the aggregate committed and secured revolving line of credit amount to $550.0 million with a maturity date of June 5, 2021. This line of credit was collateralized primarily by users’ securities held as collateral for users’ margin loan. Interest for this line of credit was determined at the time a loan was initiated and the applicable interest rate under this line of credit was calculated as a per annum rate equal to 1.25% plus the federal funds rate at the applicable time. We were obligated to pay a commitment fee calculated as a per annum rate equal to 0.35% on any unused amount of the credit facility. The September 2019 Credit Facility was terminated in April 2021.

In April 2021, we entered into a $2.2 billion committed and secured revolving line of credit, subject to certain borrowing base limitations, with a maturity date of April 15, 2022 (the “April 2021 Credit Facility”). Borrowings from the April 2021 Credit Facility must be specified to be Tranche A, Tranche B, Tranche C or a combination thereof. Tranche A loans are secured by users’ securities and used primarily to finance margin loans. Tranche B loans are secured by the right to the return from National Securities Clearing Corporation (“NSCC”) of NSCC Margin Deposits and cash and property in a designated collateral account and used for the purpose of satisfying NSCC Deposit Requirements. Tranche C loans are secured by the right to the return of eligible funds from any reserve account of the Borrower and cash and property in a designated collateral account and used for the purpose of satisfying reserve requirements under Rule 15c3-3 of the Securities Exchange Act. Interest for this line of credit is determined at the time a loan is initiated and the applicable interest rate is calculated as a per annum rate equal to 1.25% for Tranche A loans and 2.50% for Tranche B and Tranche C loans, plus the Short-Term Funding Rate at the applicable time. The Short-Term Funding Rate is equal to the greatest of (i) the Eurodollar Rate for a one month interest period on such day, which equals to the Eurodollar Base Rate that is derived from LIBOR, multiplied by the Statutory Reserve Rate at the applicable time, (ii) the Federal Funds Effective Rate and (iii) the Overnight Bank Funding Rate in effect on such day. There were no outstanding borrowings under the April 2021 Credit Facility as of June 30, 2021. This agreement contains customary covenants restricting RHS’s ability to incur debt, incur liens and undergo certain fundamental changes. We were in compliance with the covenants as of June 30, 2021. We are obligated to pay a commitment fee calculated as a per annum rate equal to 0.50% on any unused amount of the April 2021 Credit Facility.

Off-balance sheet risk

In the normal course of business, we engage in activities involving settlement and financing of securities transactions. These activities may expose us to off-balance sheet risk in the event that the other party to the transaction is unable to fulfill its contractual obligations. User securities transactions are recorded on a settlement date basis, which is generally two business days for equities and one business day for options after the trade date. We are therefore exposed to risk of loss on these transactions in the event counterparties fail to meet the terms of their contracts. In such events, we may be required to purchase financial instruments at prevailing market prices in order to fulfill our obligations.

NOTE 12: 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. As of June 30, 2021, the balance due to the Parent was $7.3 million. During the six months ended June 30, 2021, the Parent contributed $2.0 billion in capital to us.

As of June 30, 2021, we had an affiliate user with a free credit balance of $93.5 million, included in payable to users in the unaudited statement of financial condition.

Pursuant to the clearing agreement with RHF, we clear and facilitate transactions for users introduced by RHF on a fully disclosed net settlement basis. Due to affiliated broker-dealer in the unaudited statement of financial condition consists of the balance due to RHF of $77.7 million and proprietary accounts for the exclusive benefit of RHF in the amount of $11.6 million.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Contingencies

The securities industry is highly regulated and many aspects of our business involve substantial risk of liability. In past years, there has been an increasing incidence of litigation involving the brokerage industry, including class action suits that generally seek substantial damages. Damages may include, in some cases, punitive damages. Compliance and trading problems that are reported to federal, state and provincial regulators, exchanges or other self-regulatory organizations by dissatisfied customers are investigated by such regulatory bodies, and, if pursued by such regulatory body or such customers, may rise to the level of arbitration or disciplinary action. We are also subject to periodic regulatory audits and inspections.

Like other brokerage firms, 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.

Legal and regulatory matters

The outcome of legal and regulatory matters discussed in this section is inherently uncertain and some of these matters 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. Described below are certain historic matters as well as certain pending matters in which there is at least a reasonable possibility that a material loss could be incurred. We intend to continue to vigorously defend the pending matters. Litigation is inherently uncertain, and any judgment entered against us, or any adverse settlement, could materially and adversely impact our business, financial condition, operating results, and cash flows. Unless otherwise noted below with respect to a specific matter, we are unable to provide a reasonable estimate of any potential liability given the uncertain nature of litigation and the stage of proceedings in these matters. With respect to all other pending matters not disclosed below, based on current information, we do not believe that such matters, individually or in the aggregate, would have a material adverse impact on our business, financial condition, operating results, or cash flows.

Best Execution, Payment for Order Flow, and Sources of Revenue Matters

Beginning on December 23, 2020, six putative securities fraud class action lawsuits were filed against RHM, RHF and/or RHS. The lawsuits generally allege that RHM, RHF and RHS 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 payment for order flow ("PFOF")). Five of the complaints asserted claims for violations of Section 10(b) of the Exchange Act. All of the complaints asserted state law claims under California or New York law, and sought damages, restitution, disgorgement and other relief. One of the cases was voluntarily dismissed without prejudice. The five remaining actions have been consolidated under the caption *In re Robinhood Order Flow Litigation* in the United States District Court for the Northern District of California. On June 29, 2021, RHM, RHF and RHS filed a motion to dismiss the amended consolidated complaint and a motion to deny class certification.

March 2020 Outages

Beginning on March 4, 2020, 15 putative class actions and one individual action were filed against RHM, RHF and RHS in state and federal district courts relating to service outages on our stock trading platform on March 2-3, 2020 and March 9, 2020 (the "March 2020 Outages"). One of the putative class actions and the individual action were voluntarily dismissed following settlements between the parties. Thirteen of the remaining putative class actions have been consolidated as *In re Robinhood Outage Litigation* in the United States District Court for the Northern District of California. The one remaining putative class action, *Withouski v. Robinhood Financial LLC, et al.*, pending in the Superior Court of the State of California, County of San Mateo, has been stayed by agreement of the parties. The lawsuits generally allege 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 RHM, RHF and RHS failed to implement appropriate backup systems. The lawsuits include, 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 lawsuits generally seek damages, restitution, and/or disgorgement, as well as declaratory and injunctive relief. Fact discovery has been completed and expert discovery is currently scheduled to be completed in October 2021.

RHM, RHF and RHS have also received notice that approximately 1,600 jointly represented customers may pursue arbitration of individual claims against us arising out of the March 2020 Outages, in addition to other alleged system outages.

In addition, Financial Industry Regulatory Authority ("FINRA") conducted an investigation and certain state regulatory authorities are conducting investigations regarding the March 2020 Outages and related procedures. RHF and RHS are cooperating with the requests from these regulators.

Options Trading and Related Customer Communications and Displays

On February 8, 2021, the family of Alexander Kearns, a Robinhood customer who traded options, filed a lawsuit in the Superior Court of the State of California, County of Santa Clara, against RHF, RHS and RHM in connection with Mr. Kearns's death by suicide in June 2020. This matter was dismissed with prejudice following a settlement between the parties.

FINRA Matters

RHS is subject to FINRA investigations and enforcement matters, including investigations regarding RHS's fractional share trade reporting and the Early 2021 Trading Restrictions (as defined below). RHS will continue to cooperate with FINRA on these matters.

Account Takeovers

On January 8, 2021, a putative class action was filed in California Superior Court (Santa Clara County) against RHF and RHS by Siddharth Mehta, 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. Plaintiffs generally allege that RHF and RHS breached commitments made and duties owed to customers to safeguard customer data and assets and seek monetary damages and injunctive relief. In March 2021, RHF and RHS filed a motion to dismiss the amended complaint, which was granted in part and denied in part in May 2021. A second amended complaint was filed by the plaintiffs on May 20, 2021, which RHF and RHS moved to dismiss on June 3, 2021.

Early 2021 Trading Restrictions Matters

Beginning on January 28, 2021, due to increased deposit requirements imposed on RHS by the National Securities Clearing Corporation ("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").

RHM, RHF and RHS have become aware of approximately 50 putative class actions and four individual actions that have been filed against one or more of RHM, RHF and RHS in various federal and state courts relating to the Early 2021 Trading Restrictions. On April 1, 2021, the Judicial Panel on Multidistrict Litigation entered an order centralizing the federal cases identified in a motion filed by certain plaintiffs 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 captioned *In re: January 2021 Short Squeeze Trading Litigation, Case No. 21-2989-MDL-ALTONAGA/Torres* (the "MDL"). In May 2021, the court appointed interim lead plaintiffs' counsel for certain claims. On July 26, 2021, interim lead plaintiffs' counsel filed two consolidated complaints: the first complaint asserts a federal antitrust claim; the second complaint asserts negligence and breach of fiduciary duty claims. The consolidated complaints seek monetary damages. Defendants filed motions to dismiss these complaints on August 30, 2021. Other plaintiffs have filed federal securities claims, which are governed by the procedures under the Private Securities Litigation Reform Act of 1995, and will proceed separately.

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 U.S. Department of Justice, Antitrust Division, the SEC staff, 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. RHF and RHS have also received inquiries from the SEC's Division of Examinations 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 inquiries related to whether any employee trading in these securities may have occurred in advance of the public announcement of the Early 2021 Trading Restrictions on January 28, 2021. In addition, RHM, RHF, and RHS have received information and testimony requests from certain committees and members of the U.S. Congress and Mr. Tenev, among others, has provided or will provide testimony with respect to the Early 2021 Trading Restrictions. RHM, RHF, and RHS are cooperating with these investigations and examinations.

Due to the preliminary nature of all of these proceedings, we are unable at this time to estimate the likelihood or magnitude of any possible losses related to these matters.

Dansberger v. Robinhood Securities

On June 11, 2021, RHS was sued by Thomas Dansberger on behalf of a putative class in the Circuit Court for Seminole County in Florida seeking monetary damages as well as declaratory and injunctive relief. Mr. Dansberger purports to represent "All Florida residents who purchased Robinhood Gold on or by January 21, 2021 and (b) who were not able to buy or sell cryptocurrencies on January 21, 2021." The plaintiff alleges that RHS engaged in unfair and deceptive trade practices by advertising and marketing that Robinhood Gold would provide access for customers to buy and sell cryptocurrencies but failed to do so on January 28, 2021 when it allegedly halted the buying and selling of cryptocurrencies. On August 30, 2021, the plaintiff voluntarily dismissed the case after the parties reached a settlement in principle.

NOTE 14: NET CAPITAL

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. Our net capital balance changes day to day, but on June 30, 2021, our net capital was $2,722.4 million which was $2,612.4 million in excess of the minimum required net capital $110.0 million.

NOTE 15: SUBSEQUENT EVENTS

We have evaluated events subsequent to the balance sheet date for items requiring recording or disclosure in the unaudited statement of financial condition. The evaluation was performed through the date the unaudited statement of financial condition was available to be issued. No material event took place during such period that requires recording or disclosure in the unaudited statement of financial condition.