ROBINHOOD SECURITIES, LLC

STATEMENT OF FINANCIAL CONDITION

(UNAUDITED)

June 30, 2022

ROBINHOOD SECURITIES, LLC
STATEMENT OF FINANCIAL CONDITION

(in thousands)	June 30, 2022
Assets	
Cash and cash equivalents	$ 2,281,680
Cash and cash equivalents segregated under federal and other regulations	3,419,709
Receivables from users, net	4,136,940
Receivables from brokers, dealers, and clearing organizations	62,280
Deposits with clearing organizations	288,957
User held fractional shares	1,297,234
Other assets	121,251
Total assets	$ 11,608,051
Liabilities and member's equity	
Liabilities:	
Payables to users	$ 5,810,813
Securities loaned	1,366,644
Due to affiliated broker-dealer	49,388
Due to Parent	9,574
Payables to brokers, dealers, and clearing organizations	13,897
Fractional share repurchase obligation	1,297,234
Accrued expenses and other liabilities	24,980
Total liabilities	8,572,530
Commitments and contingencies (Note 11)	
Member's equity:	
Total member's equity	3,035,521
Total liabilities and member's equity	$ 11,608,051

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

NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

Robinhood Securities, LLC (the “Company,” “we,” "our," “us,” or “RHS”) is a wholly-owned subsidiary of Robinhood Markets, Inc. (the “Parent” or “RHM”). We are registered with the U.S. Securities and Exchange Commission ("SEC") as a clearing 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”).

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”).

Following the March 2020 onset of the COVID-19 pandemic, we saw substantial growth in our user base, retention, engagement, and trading activity metrics, and over the course of the pandemic we saw periodic all-time highs achieved by the equity markets generally. During this period, market volatility, stay-at-home orders, and increased interest in investing and personal finance, coupled with low interest rates and a positive market environment, especially in the U.S. equity and cryptocurrency markets, helped foster an environment that encouraged an unprecedented number of first-time retail investors to become our users and begin trading on our platform. However, we have seen the growth of our user base in recent periods slow compared to the accelerated growth we experienced in 2020 and the first half of 2021. Additionally, to the extent that government stimulus measures enacted in response to the pandemic contributed to an increase in customer engagement, that benefit might not have continued as those stimulus measures have expired.

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 continuing impact of COVID-19 on our business, financial condition, and results of operations will depend largely on future developments, including the duration of the pandemic, actions taken to contain COVID-19 or address its impact, 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 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

In accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as related disclosures, in the financial statement. 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 statement include those related to the determination of allowances for credit losses, contingent liabilities, 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

We are engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event our counterparties do not fulfill their obligations, we may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. Default of a counterparty in equities and options trades, which are facilitated through clearinghouses, would generally be spread among the clearinghouse's members rather than falling entirely on us. It is our policy to review, as necessary, the credit standing of each counterparty.

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Cash and Cash Equivalents

Cash and cash equivalents include interest and non-interest bearing deposits with banks that are not segregated and deposited for regulatory purposes and money market funds or highly liquid financial instruments with maturities of three months or less at the time of purchase. 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. 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 Cash Equivalents Segregated Under Federal and Other Regulations

We are required to segregate cash, cash equivalents and/or qualified securities for the exclusive benefit of customers, as defined by Rule 15c3-3, and proprietary accounts of broker-dealers ("PAB") in accordance with the provision of Rule 15c3-3 under the Exchange Act. Throughout the financial statement, the term "users" is defined as customers under Exchange Act 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 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, or 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 their short-term nature, which include cash, cash segregated under federal and other regulations, receivables from brokers, dealers, and clearing organizations, receivables from users, net, deposits with clearing organizations, other assets, accrued expenses and other liabilities, payables to users, payables to brokers, dealers, and clearing organizations, due to affiliated broker-dealer, due to parent, and securities loaned.

Receivables From and Payables to Users

Receivables from users, net is primarily made up of margin receivables. These transactions are recorded on a settlement-date basis. Margin receivables are adequately collateralized by users’ 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.

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We apply the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for receivables from users. We have no expectation of credit losses for receivables from users that are fully secured, where the fair value of the collateral securing the balance is equal to or in excess of the receivable amount. This is based on our assessment of the nature of the collateral, potential future changes in collateral values, and historical credit loss information relating to fully secured receivables. In cases where the fair value of the collateral is less than the outstanding receivable balance from a user, we recognize an allowance for credit losses in the amount of the difference, or unsecured balance, immediately. We write-off unsecured balances when the balance becomes outstanding for over 180 days or when we otherwise deem the balance to be uncollectible.

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.

Receivables From and Payables to Brokers, Dealers, and Clearing Organizations and Due to Affiliated Broker-Dealer

Receivables from brokers, dealers, and clearing organizations primarily include receivables from market makers 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 receivables on securities borrowed and securities loaned.

Payables to brokers, dealers, and clearing organizations primarily include payables for securities not received by us from a counterparty by the settlement date ("securities failed to receive") and interest payables on securities borrowed and securities loaned. Due to affiliated broker-dealer relates to payables to RHF for introducing broker fees and shared revenues pursuant to a revenue-sharing arrangement.

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 collateral as deposits with clearing organizations such as Depository Trust & Clearing Corporation and Options Clearing Corporation which allow 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.

Fractional Share Program

We operate our fractional share program for the benefit of our users and maintain an inventory of securities held exclusively for the fractional share program. This proprietary inventory is recorded within other assets on our 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 and an offsetting liability to repurchase the shares, recorded on our 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 via the election of the fair value option at fair value at each reporting period.

Other Assets

Other assets primarily include securities borrowed for our securities lending program (refer to "Securities Borrowing and Lending" below and Note 8 for more information), proxy rebate receivables, prepaid expenses, and securities owned by us for fractional share program. We evaluate proxy rebate receivables for credit losses and record an allowance for credit loss to estimate uncollectible receivables. We write-off the receivables when deemed uncollectible and any recoveries are recorded as a reduction to our allowance for credit losses. We classify prepayments made under contracts as prepaid expenses and expense them over the contract terms. These prepaid expenses primarily include insurance. As of June 30, 2022, prepaid expenses included in other assets were $14.7 million.

Securities Borrowing and Lending

We operate a securities lending program under which shares that users have pledged to us to collateralize their margin borrowing are lent by us to third parties ("Margin Securities Lending") and a securities lending program under which we borrow fully-paid shares from participating users and lend them to third parties ("Fully-Paid Securities Lending"). We also occasionally borrow securities from third parties for operational purposes, and we occasionally lend to third parties securities that we hold for our own account (such as our holdings to support fractional share operations).

Our authorization from users to lend shares that collateralize their margin borrowing is found in our margin account agreement, our borrowing of fully-paid shares from users is conducted under the terms of our Fully-Paid Securities Lending program to which users consent when they enroll in that program, and substantially all of our securities lending and borrowing transactions with third parties are conducted under the terms of an industry-standard master securities loan agreement ("MSLA"), which has an open contractual term and may be terminated upon notice by either party. We have also entered into fixed-term securities lending agreements with two financial institution counterparties (the "Fixed-Term Securities Lending Agreements"). One of these agreements has a contractual term of 30 days per lending transaction with a daily minimum commitment of $25 million and another has a contractual term of 21 days per lending transaction with a daily minimum commitment of $35 million. Under these two agreements we lend to the counterparties (for a fixed term) securities that collateralize users' margin borrowing, and we obtain cash collateral from the counterparties that we use to provide liquidity support for our margin lending to users. 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.

Each of the MSLAs and Fixed-Term Securities Lending Agreements establishes a master netting arrangement between the lender and the borrower. A master netting arrangement is an agreement between two counterparties that creates a right of set-off for amounts due to and from that same counterparty that is enforceable in the event of a default or bankruptcy. In connection with our securities borrowing and lending activities, however, our policy is to recognize all amounts that are subject to master netting arrangements on a gross basis in our statement of financial condition even though some of those amounts may be eligible for offset (i.e., to be presented on a net basis) under GAAP. We apply the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for securities borrowed receivables. Refer to Note 8 for more information and the gross presentation in tabular format.

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. Accrual for loss contingencies are recorded in accrued expenses and other liabilities on the 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.

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 this 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 six months ended June 30, 2022.

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

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

(in thousands)	June 30, 2022
Customers	$ 3,411,829
PAB	7,880
Total	$ 3,419,709

NOTE 5: RECEIVABLES FROM AND PAYABLES TO, BROKERS, DEALERS, AND CLEARING ORGANIZATIONS

The components of receivables from, and payables to, brokers, dealers, and clearing organizations are as follows:

(in thousands)	June 30, 2022
Receivables from brokers, dealers, and clearing organizations:	
Executing broker receivables	$ 48,814
Securities lending interest receivable	10,562
Securities failed to deliver	2,740
Other brokers, dealers, and clearing organizations receivables	164
Total receivables from brokers, dealers, and clearing organizations	$ 62,280
Payables to brokers, dealers, and clearing organization:	
Securities failed to receive	$ 12,454
Other brokers, dealers, and clearing organizations payables	1,443
Total payables to brokers, dealers, and clearing organizations	$ 13,897

NOTE 6: ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the allowance for credit losses, which primarily relate to fraudulent, unlawful or otherwise inappropriate customer behavior, such as when customers initiate deposits into their accounts, make trades on our platform using a short-term extension of credit from us, and then repatriate or reverse the deposits, resulting in a loss to us of the credited amount ("Fraudulent Deposit Transactions"), for the period indicated:

(in thousands)	Six Months Ended June 30, 2022
Beginning balance	$ 47,550
Provision for credit losses[(1)]	17,077
Write-offs	(41,380)
Ending balance	$ 23,247

(1) We are indemnified by RHF for losses incurred in connection with unsecured users' receivables. See Note 2 for more information. During the six months ended June 30, 2022, RHF indemnified us $17.3 million for unsecured losses.

NOTE 7: FAIR VALUE OF ASSETS AND LIABILITIES

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

	June 30, 2022	
(in thousands)	**Level 1**	**Total**
Assets		
Cash and cash equivalents segregated under federal and other regulations:		
U.S. Treasury securities	$ 99,889	$ 99,889
User-held fractional shares	1,297,234	1,297,234
Other assets:		
Equity securities - securities owned	7,338	7,338
Total financial assets	$ 1,404,461	$ 1,404,461
Liabilities		
Fractional share repurchase obligations	$ 1,297,234	$ 1,297,234
Total financial liabilities	$ 1,297,234	$ 1,297,234

During the six months ended June 30, 2022, we did not have any transfers in or out of Level 3 assets.

NOTE 8: OFFSETTING ASSETS AND LIABILITIES

When we lend securities to third parties we receive cash as collateral for the securities loaned. In the table below, the cash collateral we hold related to loaned securities is presented in “securities loaned” and the fair value of securities lent is presented in “security collateral pledged.” Similarly, when we borrow securities from third parties or fully-paid securities from users, we provide cash collateral. In the table below, the amount of that cash collateral is presented in “securities borrowed” and the fair value of the securities received is presented in “security collateral received.”

Our securities lending transactions are subject to enforceable master netting arrangements with other broker-dealers; however, we do not net securities borrowing and lending transactions. Therefore, activity related to securities borrowing and lending activities are presented gross in our statement of financial condition (refer to Note 2 for more information).

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The following tables set forth certain balances related to our securities borrowing and lending activities as of June 30, 2022:

(in thousands)	June 30, 2022
Assets	**Securities borrowed**
Gross amount of securities borrowed	$ 65,639
Gross amount offset on the statement of financial condition	—
Amounts of assets presented on the statement of financial condition(1)	65,639
Gross amount of securities borrowed not offset on the statement of financial condition:	
Securities borrowed	65,639
Security collateral received	(63,302)
Net amount	$ 2,337

Liabilities	**Securities loaned**
Gross amount of securities loaned	$ (1,366,644)
Gross amount of securities loaned offset on the statement of financial condition	—
Amounts of liabilities presented on the statement of financial condition	(1,366,644)
Gross amount of securities loaned not offset on the statement of financial condition:	
Securities loaned	1,366,644
Security collateral pledged	(1,226,539)
Net amount	$ 140,105

(1) Securities borrowed are included in other assets on the statement of financial condition.

As described in Note 2, we obtain securities on terms that permit us to pledge and/or transfer securities to others. As of June 30, 2022, we were permitted to re-pledge securities with a fair value of $5.69 billion under margin account agreements with users, and securities with a fair value of $3.9 million that we had borrowed under MSLAs with third parties. Under the Fully-Paid Securities Lending program, as of June 30, 2022, we were permitted to re-pledge securities with a fair value of $1.1 billion including securities with a fair value of $59.4 million that we had borrowed from users.

As of June 30, 2022, we had re-pledged securities with a fair value of $1.2 billion, under MSLAs and Fixed-Term Securities Lending Agreements with third parties. In addition, as of June 30, 2022, we had re-pledged $190.1 million of the permitted amounts under the Margin Securities Lending program with clearing organizations to meet deposit requirements.

NOTE 9: FINANCING ACTIVITIES AND OFF-BALANCE SHEET RISK

Revolving Credit Facilities

As of June 30, 2022, we had seven revolving and unsecured lines of credit with the Parent for a total of $1.05 billion of which $300.0 million was committed and $750.0 million was uncommitted. There were no outstanding borrowings against these lines of credit as of December 31, 2021. 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 are no covenants to the lines of credit with the Parent.

In April 2021, we entered into a $2.18 billion committed and secured revolving line of credit with a third party, 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 are 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 are 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 RHS and cash and property in a designated collateral account and are used for the purpose of satisfying reserve requirements under Exchange

Act Rule 15c3-3. 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 a Eurodollar base rate derived from LIBOR, multiplied by the Statutory Reserve Rate (as defined in the agreement) at the applicable time, (ii) the Federal Funds Effective Rate (as defined in the agreement) and (iii) the Overnight Bank Funding Rate (as defined in the agreement) in effect on such day. There were no outstanding borrowings under the April 2021 Credit Facility as of June 30, 2022. 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 quarterly in arrears.

In April 2022, we entered into a $2.28 billion committed and secured revolving line of credit (the “April 2022 Credit Facility”) with a maturity date of April 10, 2023, amending and restating the April 2021 Credit Facility. Under circumstances described in the agreement for the April 2022 Credit Facility, the aggregate commitments may be increased by up to $1.14 billion, for a total commitment under the agreement of $3.65 billion. The April 2022 Credit Facility terms are the same as the April 2021 Credit Facility in all material aspects except for the Short-Term Funding Rate is equal to the greatest of (i) Daily Simple SOFR (as defined in the agreement) plus 0.10%, (ii) the Federal Funds Effective Rate (as defined in the agreement) and (iii) the Overnight Bank Funding Rate (as defined in the agreement), in each case, in effect on such day.

The April 2021 Credit Facility and April 2022 Credit Facility contain customary covenants, including limitations with respect to debt, liens, fundamental changes, asset sales, restricted payments, investments and transactions with affiliates, subject to certain exceptions. We were in compliance with all covenants under these facilities as of June 30, 2022.

Off-Balance Sheet Risk

In the normal course of business, we engage in activities involving settlement and financing of securities transactions. User securities transactions are recorded on a settlement-date basis, which is generally two business days after the trade date for equities and one business day after the trade date for options. 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. In such events, we may be required to purchase financial instruments at prevailing market prices in order to fulfill our obligations.

NOTE 10: RELATED PARTY TRANSACTIONS

The amount of revenue earned from affiliates might 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, share-based compensation, and other expenses. The Parent also pays certain direct expenses on our behalf and cash settles monthly with allocated expenses. As of June 30, 2022, the balance due to the Parent was $9.6 million.

Pursuant to the clearing agreement with RHF, we clear and facilitate transactions for users introduced by RHF on a fully disclosed basis. Due to affiliated broker-dealer on the statement of financial condition consists of the balance due to RHF of $43.8 million and proprietary accounts for the exclusive benefit of RHF in the amount of $5.6 million.

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NOTE 11: 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. Amounts accrued for contingencies in the aggregate were $6.7 million as of June 30, 2022. In our opinion, an adequate accrual had been made as of June 30, 2022 to provide for the probable losses of which we are aware and for which we can reasonably estimate an amount.

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 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 and state regulators, exchanges, or other self-regulatory organizations ("SROs") by dissatisfied users are investigated by such regulatory bodies, and, if pursued by such regulatory bodies or such users, may rise to the level of arbitration or disciplinary action. We are also subject to periodic regulatory audits and inspections.

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 June 30, 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, 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 our 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 we moved to dismiss.

March 2020 Outages

A consolidated putative class action lawsuit relating to 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 RHM, RHF, and RHS 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 is subject to court approval.

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. We are contesting the claims, and a hearing has been scheduled for September 2022.

RHS Trade Reporting, Large Options Position Reporting, and ACATS Processing

In April 2022, FINRA Enforcement staff requested information related to RHS's reporting of fractional share trades, as applicable, to a Trade Reporting Facility ("TRF"), the Over-the-Counter Reporting Facility ("ORF"), the Order Audit Trail System ("OATS"), and the Consolidated Audit Trail ("CAT"); reporting of accounts holding significant options positions to the Large Option Position Report ("LOPR") system; and processing of certain requests for transfers of assets from Robinhood through the Automated Customer Account Transfer Service ("ACATS"), an automated industry system for account asset transfers. RHS is cooperating with these investigations.

In October 2021, RHS received requests from the SEC Division of Enforcement regarding its compliance with Regulation SHO, and previously received similar requests from FINRA examinations staff. During the second quarter of 2022, RHS received additional requests from the SEC for information related to, among other things, RHS's compliance with Regulation SHO's trade reporting and other requirements in connection with securities lending and fractional share trading. We are cooperating with this investigation.

Account Takeovers

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 seek monetary damages and injunctive relief. In April 2022, the parties reached a settlement in principle to resolve this matter. The settlement agreement is subject to court approval.

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 the motion to dismiss in part and denied it in part.

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'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's Division of Examinations and 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 and examinations. The SEC's Division of Examinations concluded their examinations related to the Early 2021 Trading Restrictions. In February 2022, SEC staff notified us of their findings to which we responded in April 2022. FINRA Enforcement has also requested information about policies, procedures, and supervision related to employee trading generally.

In addition, we received information and testimony requests from certain committees and members of the U.S. Congress and Mr. Tenev, among others, provided testimony with respect to the Early 2021 Trading Restrictions. In June 2022, the majority staff of the U.S. House Committee on Financial Services released a report regarding its investigation.

NOTE 12: NET CAPITAL

As a registered broker-dealer, 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 us to maintain net capital equal to the greater of 2% of aggregate customer-related debit items in the customer reserve computation under Exchange Act Rule 15c3-3 or $0.25 million. Our net capital balance changes day to day, but on June 30, 2022, our net capital was $2,922.5 million which was $2,837.2 million in excess of the minimum required net capital of $85.3 million.

NOTE 13: 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 [August 26], 2022, the date the financial statement was available to be issued. No such event took place that requires recording or disclosure in our financial statement.