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May 13, 2025

VIA ELECTRONIC SUBMISSION

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: ***Regulatory Notice 25-05 (FINRA Requests Comment on a Proposal to Reduce Unnecessary Burdens and Simplify Requirements Regarding Associated Persons' Outside Activities)***

Dear Ms. Mitchell:

Robinhood Financial LLC and Robinhood Securities, LLC¹ (together, "Robinhood" or "the Firm") respectfully submit this letter in response to the above-referenced request by the Financial Industry Regulatory Authority, Inc. ("FINRA") for comment on the effectiveness and efficiency of its requirements relating to Outside Business Activities ("OBAs") and Private Securities Transactions ("PSTs"). Robinhood supports FINRA's efforts to streamline and reduce unnecessary burdens imposed by existing requirements regarding the outside activities of member firms' associated persons, including registered persons. The Firm acknowledges FINRA's incorporation of previous comments in the new proposal.²

Robinhood's mission is to democratize finance for all by providing access to investing regardless of a customer's income or wealth. Central to our mission is using technology to open the markets to retail investors from all backgrounds and remove traditional barriers to investing. The Firm appreciates the opportunity to provide comment and applauds FINRA's efforts to modernize its rules to reduce unnecessary burdens.

¹ Both of these FINRA-member broker-dealers are wholly owned subsidiaries of Robinhood Markets, Inc.

² Regulatory Notice 17-20 (May 15, 2017), <https://www.finra.org/rules-guidance/notices/17-20> and Regulatory Notice 18-08 (February 26, 2018), <https://www.finra.org/rules-guidance/notices/18-08>

I. Impact of Consolidating OBA and PST Rules on Compliance and Cost

While there are some areas that require further clarification and guidance from FINRA, as discussed below, proposed Rule 3290 will help streamline the regulatory framework by merging the requirements for OBAs and PSTs into one cohesive rule. This proposed rule consolidation will eliminate the need to manage separate processes for OBAs and PSTs, making it easier for member firms to ensure compliance and for licensed individuals to understand the requirements. By having a single set of guidelines, member firms can reduce the complexity involved in monitoring and reporting these activities, simplifying the compliance process without increasing risk for the investing public.

II. Oversight for Outside Investment Advisor Activities (IA)

IAs primarily are regulated by the SEC and states. FINRA member oversight of outside IA activities is therefore redundant and creates unnecessary compliance costs and burdens without corresponding benefit to the investing public. Given that IAs are subject to a fiduciary standard, and other requirements established by the SEC and states, the imposition of additional requirements by FINRA is redundant and not necessary.

III. Evaluation of Alternative Approaches to the Proposal

A. Consideration of Passive Investment Exemptions

Robinhood supports providing exceptions for PST purchase disclosures if the purchase meets certain criteria, such as being passive only (not involving participation in the formation, organization, or management of the entity), involving no solicitation or selling compensation, and being potentially limited to a certain percentage (e.g., 5%) of the company or a specific dollar amount. These personal investments present minimal risk of conflicts of interests, and additional disclosures regarding such investments do nothing to further protect investors.

IV. Scope and Definitions Requiring Further Clarification

A. Need for Clearer Definitions and Additional Guidance

- i. FINRA should clearly define what is meant by “banking,” “insurance,” and “real estate” so that firms and licensed personnel can consistently determine what needs to be disclosed.

The Firm contends that proposed Rule 3290’s list of roles related to insurance, banking, and other financial sectors in the definition of “investment-related” is over-inclusive and does not correlate to risks relevant to the investing public.

ii. Each section of the proposed rule references “material change” as a trigger to provide updated information. The proposed rule, however, does not provide a clear definition as to what qualifies as a material change. This lack of a definition will create ambiguity for compliance teams, inconsistent interpretations across firms, and increased legal and regulatory risk.

FINRA should consider explicitly defining “material change” in the proposed rule or providing guidance in supplementary materials.

B. Rental Property Clarification

Robinhood supports the addition of an exclusion for personal-use rental properties under proposed Rule 3290. This important carve-out acknowledges that owning and occasionally renting a second home or vacation property—when such use is incidental and not part of a broader business operation—does not constitute an “investment-related activity” requiring disclosure.

While Robinhood supports the exclusion of specific rental properties such as second-homes and vacation homes, FINRA should further clarify and formalize this exclusion by developing an objective set of parameters by which to identify real estate holdings that are primarily personal investments, rather than business investments requiring disclosure.

C. Clarifying Obligations When Customers are Inadvertently Involved

The rule does not provide guidance on what to do if an associated person is inadvertently involved in an outside activity or outside securities transaction in which a Firm customer is involved as the result of a pre-existing, independent relationship, unrelated to the associated person’s solicitation or involvement. The rule should be concerned with customers of, or persons solicited by, the associated person (not the Firm generally).

D. Managing Activities Involving Selling Compensation

In situations where there is selling compensation, a member’s obligations should not extend beyond approving or disapproving each transaction and reviewing for compliance with any specific conditions or limitations imposed. Ongoing supervision of the associated person’s participation in transactions is unnecessary and unduly burdensome.

VI. Discrepancies between Rule 3290 and Form U4

The Firm notes inconsistencies between proposed Rule 3290 and Form U4, particularly as they relate to the scope and disclosure of outside activities. These discrepancies risk creating confusion among registered representatives and may add to rather than alleviate firms' supervisory burdens with respect to outside activities.

The current Form U4 exhibits inconsistencies, particularly in Section 13, which concerns the disclosure of a registered person's OBAs. This section requires the disclosure of a registered person's outside activities as a "proprietor, partner, officer, director, employee, trustee, agent or otherwise" and asks whether the activity is investment-related. This language is not fully aligned with the narrower, risk-based disclosure framework in the proposed rule. The lack of clarity and standardization in these disclosure requirements imposes significant compliance burdens on firms and their registered representatives.

FINRA should collaborate with the SEC and state regulators to ensure that Form U4 is updated and harmonized with the proposed rule.

VII. Economic Impacts and Implementation Considerations

Robinhood does not anticipate any significant cost impact from the proposed rule. The Firm currently uses a single system for all OBA and PST submissions, and the Firm anticipates that it would continue to use that system under the new consolidated rule.

Robinhood notes that the updated "investment-related" definition may present challenges as persons subject to the rule may require additional guidance or misinterpret components of the rule. The lack of regulatory clarity can lead to inconsistencies in how firms handle compliance, including with respect to disclosures.

Conclusion

Robinhood is generally supportive of the proposed FINRA Rule 3290, which aims to replace the existing FINRA Rules 3270 and 3280. The Firm believes that, with the additional clarifications discussed above, the proposed rule revision should reduce risks to the investing public and make it easier for customers to identify potential conflicts of interest. The Firm also believes that consolidating FINRA Rules 3270 and 3280 will simplify compliance and reduce administrative burdens for industry participants and member firms, thereby enhancing regulatory efficiency. The considerations and recommendations offered throughout this response – including the

requests for clearer definitions, alignment with Form U4, and more precise disclosure requirements – could further improve the effectiveness and clarity of the proposal.

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Robinhood appreciates the opportunity to comment on the effectiveness and efficiency of FINRA's requirements relating to associated persons' outside activities. Please contact the undersigned at matthew.billings@robinhood.com if you have any questions or comments.

Respectfully submitted,

Signed by:

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Matt Billings

President

Robinhood Financial LLC and Robinhood Securities, LLC