



ANTHONY G. BROWN, MARYLAND ATTORNEY GENERAL

# PRESS RELEASE

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## Maryland Joins in \$10 Million Settlement with Robinhood for Failing Investors

**BALTIMORE, MD (January 30, 2024)** – Maryland Attorney General Anthony G. Brown’s Securities Division announced that it has joined a multistate settlement with Robinhood Financial LLC, which will pay up to \$10.2 million in penalties for operational and technical failures that harmed Main Street investors.

The settlement stems from an investigation regarding Robinhood’s failures concerning the retail market. The investigation was spearheaded by state securities regulators in Alabama, Colorado, California, Delaware, New Jersey, South Dakota, and Texas coordinated through the North American Securities Administrators Association (NASAA).

The [Consent Order](#) entered to settle this matter lists “Findings of Facts” that arose from an investigation sparked by Robinhood platform outages in March 2020, a time when hundreds of thousands of investors were relying on the Robinhood app to make trades. In addition, prior to March 2021, Robinhood’s review and approval process for options and margin accounts was inadequate, there were weaknesses in the firm’s monitoring and reporting tools, and its customer service and escalation protocols were insufficient, leaving some Robinhood users unable to process trades even as the value of certain stocks was dropping.

“Today’s agreement is the result of the diligent work by state securities regulators to ensure investors are protected and treated fairly by financial services firms,” **said the Attorney General**. “We will continue to hold these firms accountable to the standards they are required to uphold and ensure they always meet their obligations to their clients.”

The Order sets out the following violations:

- Negligent dissemination of inaccurate information to customers, including regarding margin and risk associated with multi-leg option spreads.
- Failure to have a reasonably designed customer identification program.

- Failure to supervise technology critical to providing customers with core broker-dealer services.
- Failure to have a reasonably designed system for dealing with customer inquiries.
- Failure to exercise due diligence before approving certain option accounts.
- Failure to report all customer complaints to the Financial Industry Regulatory Authority (FINRA) and state securities regulators, as may be required.
- Robinhood neither admits nor denies the findings as set out in the State's order.

Robinhood retained an independent compliance consultant who made recommendations to remedy Robinhood's shortfalls, which the company has mostly implemented. One year after the settlement date, Robinhood will attest that it is in full compliance with the recommendations or has otherwise established measures that will more effectively address the recommendations.

In making today's announcement, Attorney General Brown thanked Assistant Attorneys General Sandra Small and Kelvin M. Blake for their work on the case. Attorney General Brown would also like to thank fellow NASAA member agencies, especially the multistate working group, for their coordinated efforts.

If you have questions or concerns about your investments or financial professional, please contact the Maryland Securities Division at 410-576-6360 or [securities@oag.state.md.us](mailto:securities@oag.state.md.us).

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