

Robinhood to pay record fine in US over lapses: regulatory body

30 June 2021



Robinhood agreed to pay \$70 mn to settle charges over a number of lapses on the investment platform.

Robinhood will pay a record \$70 million in penalties to settle charges it harmed thousands of consumers through "false and misleading" communications and other lapses, a US regulatory organization announced Wednesday.

Regulators took the fast-growing investment platform to task for falling short of its pledge to "demystify finance for all," charging the company "negligently" misled consumers, regulatory body Finra said.

Robinhood communicated "false and misleading" information to consumers on whether customers could place trades on margin and displayed wrong information about specific accounts, said Finra, a [nonprofit organization](#) that regulates US brokerage firms.

In one notorious example, an Illinois college student [committed suicide](#) after reading that his account had a negative cash balance of \$730,165,

an inaccurate sum, said Finra, which alluded to the "tragic" case in its [press release](#).

Following rules to protect investors "is not optional and cannot be sacrificed for the sake of innovation or a willingness to 'break things' and fix them later," said Jessica Hopper, head of Finra's enforcement division.

"The fine imposed in this matter, the highest ever levied by Finra, reflects the scope and seriousness of Robinhood's violations."

Robinhood, which has filed preliminary papers with US securities regulators to go public, was also charged with weak due diligence in approving customers to place options trades. Robinhood's reliance on bots resulted in approval for thousands of customers who did not meet requirements or had red flags, Finra said.

Lapses in oversight also led to a series of outages on the platform in March 2020, harming customers, said Finra.

Robinhood—which did not admit or deny Finra's allegations—said it has taken a number of steps to improve its service, such as hiring thousands of [customer](#) support staff and improving system redundancy to reduce outages.

"We are glad to put this matter behind us and look forward to continuing to focus on our customers and democratizing finance for all," a Robinhood spokeswoman said.

© 2021 AFP

APA citation: Robinhood to pay record fine in US over lapses: regulatory body (2021, June 30) retrieved 8 December 2021 from <https://techxplore.com/news/2021-06-robinhood-fine-lapses-regulatory-body.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.