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October 1, 2020

Emily Westerberg Russell
Chief Counsel and Associate Director
Division of Trading and Markets
United States Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Robinhood Dividend Reinvestment Program

Dear Ms. Russell:

On behalf of Robinhood Financial LLC and Robinhood Securities LLC (collectively "Robinhood"), both registered broker-dealers and members of the Financial Industry Regulatory Authority ("FINRA"), we request an exemption pursuant to Rule 10b-10(f) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), from the requirement under Rule 10b-10(a) to deliver trade-by-trade confirmations in connection with the purchase of securities under Robinhood's dividend reinvestment program ("DRP"). If a Robinhood customer is eligible and chooses to participate in the DRP, Robinhood proposes to confirm the automatic dividend reinvestments as part of the customer's regular monthly account statement in lieu of sending a separate confirmation following each dividend reinvestment, as would otherwise be required under Rule 10b-10(a).

Background

Robinhood is a technology company that offers, among other things, an application-based trading platform (the "App"). Currently, the App provides a means by which Robinhood customers can effect transactions in securities on a commission-free basis.¹ As part of Robinhood's product offering, customers can purchase securities in fractional amounts based on either a specific fraction of a share or by dollar amount.

¹ As an App based electronic platform, Robinhood conducts its business in accordance with the Electronic Signatures in Global and National Commerce Act (Pub.L. 106-229, 114 Stat. 464), and guidance issued by the Securities and Exchange Commission regarding the electronic delivery of documents. See, e.g., *Use of Electronic Media for Delivery Purposes*, Securities Act Release No. 7233 (Oct. 6, 1995); *Use of Electronic Media by Broker-Dealers, Transfer Agents, and Investment Advisers for Delivery of Information*, Exchange Act Release No. 37182 (May 9, 1996); and *Use of Electronic Media*, Exchange Act Release No. 42728 (Apr. 28, 2000).

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Eligibility for the DRP

Robinhood's DRP will be available to all Robinhood customers for securities held in their Robinhood accounts as of the record date for determining shareholders eligible to receive dividends, and who continue to hold the securities through the payable date. Securities currently eligible for the DRP ("Eligible Securities") will include stocks worth over \$1.00 per share with a market capitalization over \$25,000,000. If a security is not an Eligible Security, Robinhood will notify the customer when placing an order. While which securities are Eligible Securities is subject to Robinhood's discretion and changes in applicable law, customers will be provided with notification regarding any changes to the criteria for Eligible Securities.

Disclosure to Customers

Robinhood customers will be able to enroll in the DRP through the App. Under the terms of the agreement between Robinhood and the customer, Robinhood will notify customers, among other things:

- (1) On how to enroll and withdraw from the DRP;
- (2) Of which types of accounts and securities are eligible for participation in the DRP;
- (3) Of any transaction fee or other charge for participation in the DRP;²
- (4) That dividend reinvestment will be allocated to full and fractional shares;
- (5) That the customer will not have use of dividend proceeds prior to reinvestment;
- (6) That DRP transactions will be confirmed as part of each customer's regular monthly account statement, which will include all information required by Rule 10b-10(a) to be contained in a separate trade-by-trade confirmation;
- (7) That under the DRP, Robinhood will reinvest the dividends of a particular stock at or near the opening price on the trading day following receipt of the dividend;
- (8) That the customer will pay the actual price of shares purchased in the open market, which may be an average-weighted price;
- (9) That all non-DRP transactions by each customer will be confirmed in accordance with Rule 10b-10 and any applicable guidance;

² Robinhood does not intend to charge a transaction fee on transactions executed pursuant to the DRP, although it may decide to do so at some future date. Any transaction fee will not exceed the customary brokerage commission charge to customers and will be disclosed to all DRP participants prior to being implemented, providing participants with the opportunity to opt out of the program without incurring such fee. Additional service fees may also be charged to DRP participants, all of whom would receive notice prior to fee implementation, providing participants with the opportunity to opt out of the program without incurring such fee.

- (10) That information regarding the dividend reinvestment can be obtained by each customer directly from Robinhood through the App as soon as the dividend reinvestment trade is executed;
- (11) That there is no requirement to participate in the DRP program and that participation does not assure profits or protect against losses in declining markets;
- (12) That the eligibility of a security in the DRP program is not a recommendation to buy or sell the particular security; and
- (13) That DRP participants will be notified in advance of any material changes to the DRP.³

Enrollment in the DRP

Customers may elect to participate in the DRP by notifying Robinhood of their request to have cash dividends on either all or certain specified Eligible Securities in their accounts automatically reinvested in additional shares of such securities. Enrollment may occur at any time up to and including three business days prior to the dividend record date for the subject securities. If the customer's entire Account is set up for dividend reinvestment, any Eligible Securities the customer purchases in the future will automatically participate in the DRP. Otherwise, customers may add additional Eligible Securities to the DRP at any time, if they hold a position in those securities. Enrollment with respect to these additional Eligible Securities will be effective three business days after Robinhood receives notification from the customer through the App.

Similarly, a customer may withdraw completely from the DRP, or selectively elect to discontinue automatic dividend reinvestment for specific Eligible Securities, at any time, by notifying Robinhood through the App at least three business days prior to the dividend record date of the applicable securities.

Operation of the Program

Dividend reinvestment purchases will be effected by Robinhood, acting as agent, in open market transactions on the applicable exchange or market, in accordance with customary market practices for similar types of DRPs. The per-share purchase price charged to customers for shares purchased in the open market will be the actual price at which such shares are purchased by Robinhood as agent. In the event that the shares necessary to cover dividend reinvestment transactions for a specific security cannot be effected in one trade, such transactions will be executed in several trades at varying prices. In these circumstances, the weighted-average price of such transactions will be used to calculate the reinvestment price for all accounts that are reinvesting in each particular security. If the customer maintains open orders for securities that the customer does not already hold, the customer may not enroll those securities for dividend reinvestment until the customer's open orders are executed. If the customer has a margin account, Robinhood is permitted to borrow a dividend paying stock in the normal course of business and, as a result, in such situations, instead of a dividend-payment the customer may receive a cash-in-lieu payment. If the customer receives a

³ For example, DRP participants would be provided advance notice about a decision to charge transaction fees or service fees, or changes to the criteria for Eligible Securities.

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cash-in-lieu payment, Robinhood will treat the payment as if it was not "in lieu" and reinvest it accordingly.

Automatic reinvestment of dividends on any future, potential publicly traded stock of Robinhood will be accomplished through an agent independent of the issuer ("Independent Agent"), in compliance with Regulation M under the Exchange Act. Robinhood would contact the Independent Agent and place an order for the purchase of Robinhood shares in an amount equal to the amount of the dividend paid for any future customers that then hold Robinhood in their accounts and have designated it as a security subject to automatic dividend reinvestment. The Independent Agent will buy shares in the open market having complete discretion regarding the time, price and amount of purchases.

The crediting of a cash dividend and its automatic reinvestment into additional securities, as described above, will be disclosed to customers on their monthly account statements which detail all activity for the preceding month. All shares purchased in accordance with the DRP will be held by Robinhood in "street name" and will otherwise be in the possession or control of Robinhood pursuant to Rule 15c3-3(c) under the Exchange Act. Disclosure on the monthly account statements will include all transaction details and information that would, absent the exemption requested herein, be required by Rule 10b-10(a) to be contained in a separate, immediate confirmation of each such transaction, including, among others: (1) the date and amount of cash dividend credited to the account; (2) the identity of the security; (3) the date and number of shares purchased with the cash dividend; (4) the investment price; (5) the total number of shares in the account; (6) that Robinhood executed the DRP transaction as agent; and (7) that the transaction is a DRP transaction. In addition, customers will be able to obtain this information through the App immediately following the dividend reinvestment. Robinhood will continue to send confirmations in accordance with the requirements of Rule 10b-10 for any transaction outside the DRP.

We believe that Robinhood's proposed DRP is substantially the same as those for which exemptions have been previously granted by the Commission.⁴ For that reason and in consideration of the foregoing, we respectfully request an exemption from the requirements of Rule 10b-10(a) as they relate to transactions effected on behalf of customers pursuant to the DRP.

If you have any questions with regard to this request for exemption or require any additional information, please contact me at 202.739.5201 or ignacio.sandoval@morganlewis.com.

Sincerely,



Ignacio Sandoval

cc: Joanne Rutkowski
Giti Baghban

⁴ See e.g., *TD Ameritrade, Inc.*, SEC No-Action Letter (Nov. 30, 2006); *Instinet Clearing Services*, SEC No-Action Letter (June 7, 2001); *D.B. Alex. Brown LLC*, SEC No-Action Letter (July 5, 2000); *ABN AMRO*, SEC No-Action Letter (Nov. 5, 1998); *A.G. Edwards & Sons, Inc.*, SEC No-Action Letter (Jan. 24, 1996); and *Fidelity Distributors Corp.*, SEC No-Action Letter (Aug. 25, 1988).