Millions of new retail investors are participating in U.S. capital markets and most do <u>not</u> fit popular, misleading memes of the uninformed, high-risk day trader.

Retail investor demographics and trends

- Robinhood's Customers:
  - Net Funded accounts: ≅ 22.4 million (as of 9/30/21)
  - Median age = 31 (as of 3/31/21)
  - Median account size ≅ $240 (as of 3/31/21)
  - In the first half of 2021, of the customers who traded equities or options any given month, about **11% made an options trade** (as of 9/20/21)

- Robinhood data indicates most customers investing in exchange-listed stocks and ETFs with low dollar amounts and more buy and hold strategies.

- No short selling, no OTC BB stocks (ex. ADRs), and no naked options.

- Fed data shows stock ownership is younger and more diverse across the board. Robinhood survey data indicates that our customers are more diverse than incumbent firms.

- For decades, policymakers on both sides of the aisle have wanted more retail investors in the market. Recent rhetoric from some policymakers and regulators risks turning the clock back on these positive trends.

Retail investors in the U.S. have it better than ever in terms of access and cost to invest.

Commission–free, no minimums investing

- Prior to Robinhood, many incumbent brokers charged commissions as high as $5–$10/trade or more to invest.
    - Old pricing regime disproportionately affected smaller accounts.
    - For example, taking $100 to invest and charging $7 commission to get into/out of that investment = stock would need to appreciate 14% just to break even.
- By pioneering commission–free, no minimum investing, Robinhood ushered in a new era of retail investor participation in the U.S.
- A recent economic analysis from two MIT professors that Robinhood comissioned found that the Robinhood–effect has saved retail investors around **$17 billion** and counting in commissions in 2020–21.

Retail investors in the U.S. have it better than ever in terms of access and cost to invest.

Payment for Order Flow (PFOF)

- PFOF allows Robinhood to provide commission–free investing and high quality, low–cost trade executions to our customers.
- The MIT professors' economic analysis puts to rest misleading allegations that PFOF is a bad deal for investors.
    - Again, PFOF is a "win–win" for retail investors – they can trade without commissions and account minimums on Robinhood, and they get low–cost trade executions.
- PFOF generally results in better prices than customers would get if their orders were executed on exchanges.
- Average price improvement for Robinhood customers is better than the average broker. In other words, Robinhood customers are getting more for their money when they invest.
- Robinhood customers are doing particularly well from PFOF, to the tune of over **$8 billion** in money saved (i.e., price improvement) from 2020–21.
- Little evidence to date that market quality for retail investors is a problem. Regulators should avoid aggressive changes that would increase costs for retail investors, either through the resurrection of commissions or worse trade executions.

“Gamification” is not well understood and rushing to regulate innovative platforms would likely do more harm than good.

Digital Engagement Practices (DEPs) & “Gamification”

- Consumers and investors today want to conduct commerce on their mobile devices (many don’t own desktops or laptops).

- Information in DEPs not new and regulations already in force.
    - Generally same information once only available to wealthy accounts now accessible to everyone in innovative ways (e.g., price notifications, stock lists).
    - SEC and FINRA rules already apply.

- Categories of DEPs: (1) true “gamification” (leaderboards, trading competitions, badges or rewards to trade); (2) copy trading/social trading; (3) DEPs that make direct, specific recommendations; (4) DEPs that provide decision-useful information/education to investors and (4) images, graphics, colors, fonts that make investing more accessible/enjoyable.

- Debate appears to be shifting toward use of algos/ML for differential marketing or recommendations – subject DEPs to Reg BI?

- Little evidence to date that DEPs are actually causing substantial numbers of customers to trade “excessively”/against their interests.

- Regulators should avoid over-regulating DEPs in ways that would increase costs, reduce accessibility, and cut information flow for retail investors – this will drive them back out. Additional investor education and information is likely more effective solution to any potential problems.