

MiFID II Investor Protection Topics Linked to Digitalisation DP

Robinhood Markets, Inc. | March 2024

Robinhood's mission is to democratise finance for all, regardless of a customer's background, income, or wealth. Robinhood aims to help close the wealth gap with its "every customer" product offering that has no account minimums, no trading commissions, fractional trading, and a user-friendly interface that is easily accessible. Robinhood further promotes financial opportunities for all by communicating with its customers in ways that are designed to enhance retail investors' financial literacy, increase investment awareness, and empower customers to actively manage their investments. An accessible, enjoyable interface that engages customers benefits those customers; and the more time investors spend accessing our free educational tools and resources, the more informed those investors are and the better equipped they are to achieve their financial goals. We believe our efforts to reach investors through straightforward and easy to understand educational content are working.

Robinhood welcomes ESMA's openness under the Discussion Paper, which allows for a healthy debate on the digitalisation of retail investment in the EU to further empower consumers and drive forward important changes in the EU's market for retail investment. We look forward to working with ESMA towards ensuring fair retail investment practices across the EU.

The EU has developed one of the world's most comprehensive policies for crypto-asset regulation, which is why we chose the EU to anchor Robinhood Crypto's international expansion plans. It is for this reason, we were thrilled to expand crypto trading to customers throughout eligible jurisdictions in EU in late 2023, enabling them to buy and sell their favourite crypto-assets safely and securely.

Robinhood Crypto offers a platform where customers can trade crypto-assets at the lowest cost on average in the EU. Customers can buy, sell, and store crypto with ease and confidence. Since Robinhood has launched our crypto product only in eligible jurisdictions in the EU, and not our wider brokerage product, this consultation response is written through the lens of our Robinhood Crypto product. However, given Robinhood's interest in expanding our brokerage product to EU consumers in the future, we have also included information on how this product works in the US brokerage market to help ESMA understand our wider product base.

Like we did with the stock market, it is our goal to make crypto more accessible and affordable to everyone, regardless of their background or where they live. Using technology to open markets to retail investors from all backgrounds is central to our mission. Through our mobile app and website, Robinhood is redefining what it means to learn about finance—and that means providing educational resources that are built for the modern investor. With Robinhood Learn, we offer access to a web based financial education library as well as in-app tutorials that contain the building blocks for investors' financial journey. Customers also get access to the Investor's Guild in our app, a weekly column from Robinhood's head of investment strategy, Stephanie Guild, a CFA with over two decades of experience in the brokerage and investment advisory industry.

Using our mobile app, our customers can engage with their investments and access capital markets as they plan for their financial well-being and their futures. We are proud that as of December 2023, nearly 50% of Robinhood's U.S. based customers self identify as first time investors. Engagement in this context is good; the more retail customers are involved in their finances, paying attention to their assets, and learning about investing, the better equipped they are to achieve their financial goals.

Robinhood recognises the importance of developing and implementing these technologies in a responsible and regulated manner, consistent with EU market and crypto-asset rules that already apply to protect investors and the markets, including rules that specifically focus on investor interactions. We therefore welcome our continued engagement with the EU authorities.

Technology drives inclusion in finance. It empowers education, accessibility, and affordability at a scale that was previously reserved for a wealthy few, opening doors and breaking down barriers worldwide.

Take, for example, the Ariel-Schwab Black Investor Survey (2022) which highlighted that when it comes to growing and protecting their assets, Black Americans are less trusting of people (32% vs. 45%) and more trusting of technology (31% vs. 21%), than white Americans¹. This tells us how critical technology is for inclusion. Additionally, the FINRA Investors of Color in the U.S. Report (2024) found that investors of colour are entering the market at a faster pace than white investors.² Specifically, FINRA found that since 2015, the percentage of new investors has increased for Black/African Americans, Asian American/Pacific Islander Hispanic/Latinos. The report attributes this increase in participation to the lowered barriers to market entry that the internet, mobile trading apps, and social media created.

On a worldwide scale, digital tools are critical to achieving the impact necessary to support historically underserved demographics. The G20 published a call to action that highlighted the importance of “leveraging the opportunities that technology offers to reduce costs, expand scale, and deepen the reach of financial services will be critical to achieving universal financial inclusion.”³ Further, the OECD reported that “digital delivery, despite its specific challenges, can facilitate the effective provision of financial education, extend its reach, and contribute to positive behavioural change.”⁴

The World Bank reports that “delivering financial services through technological innovations...can be a catalyst for the provision and use of a diverse set of other financial services – including credit, insurance, savings, and financial education. Those who are now excluded can enjoy expanded access.”⁵ Technology serves as a gateway for individuals and communities who have historically not had access to manage their financial future.

At Robinhood, we see customers every day responsibly taking advantage of the same technologies and information available to professional investors to make financial decisions that they believe are in their best interests. We hope our European customers are awarded this same opportunity to access capital markets.

Q&A

6. Do you provide interactive or other graphic representations of information on financial instruments or investment services to your clients? Do clients perceive them as useful aids?

Ever since Robinhood was founded ten years ago, we envisioned building a product so simple and elegant that it would revolutionise an entire industry. We did so not only because we love beautiful design, but because the digital platforms of other brokerages have for years reinforced legacy barriers to participating in the financial system. We believed we could change that.

¹ <https://www.schwabmoneywise.com/tools-resources/ariel-schwab-survey-2022>

² [FINRA Investors of Color in the U.S., 2024](#)

³ [G20 High-Level Principles for Digital Financial Inclusion, 2016](#)

⁴ [Digital Delivery of Financial Education: Design and Practice. OECD, 2019](#)

⁵ <https://www.worldbank.org/en/news/feature/2014/04/10/digital-finance-empowering-poor-new-technologies>

Our customer-centric, design-first approach has always been a hallmark of Robinhood. It has made our platform approachable, easy-to-use, and informative, with a familiar look and feel for a generation of mobile-first customers.

We have always focused on including information in Robinhood that would be useful for investors. We involve our talented product designers early and often throughout our product development process to create intuitive experiences, addressing our customers' needs, while eliminating the barriers that have traditionally gotten in their way. And as we introduced more features, including news, charts and watchlists, we have stayed true to our design philosophy to make investing and information accessible. Simple, insightful and usable.

At Robinhood, we build products to help people take small steps in becoming more confident in their financial situation. Tools like Investing 101⁶, which has quick courses on the basics of investing, or fractional shares, which empower people to invest in stocks with as little as a few euros, making it possible to invest no matter your experience or income level. In the U.S., we introduced Robinhood Retirement, the first and only IRA with 1% match on every eligible dollar contributed - no employer necessary, zero commissions or account minimums (other fees may apply). Customers can access educational resources within the app to help inform whether a Roth or traditional IRA account type is right for them.

Education is the foundation of financial empowerment. We believe access to the financial system means having access to information and resources so customers can learn and grow. With resources like Robinhood Learn, which offers hundreds of articles on financial terms, concepts, and timely market trends to empower customers to be informed investors. Further, Sherwood Snacks, the newsletter produced by independent subsidiary Sherwood Media, serves as another resource for investors to stay up to date on the latest news affecting the markets and is one of the most widely consumed newsletters in the U.S. with over 40 million subscribers as of December 2023.

In Robinhood's customer research, one of the most common responses we hear is that they like the way information is provided, and specifically the use of graphics and interactive tools to provide that information. Particularly among new investors, we hear graphics and interactive tools cited more frequently than any other reason for why they use the product.

In the U.S., Robinhood customers can view a standard or **advanced** chart for a stock, ETF, or crypto. There are 2 types of charts:

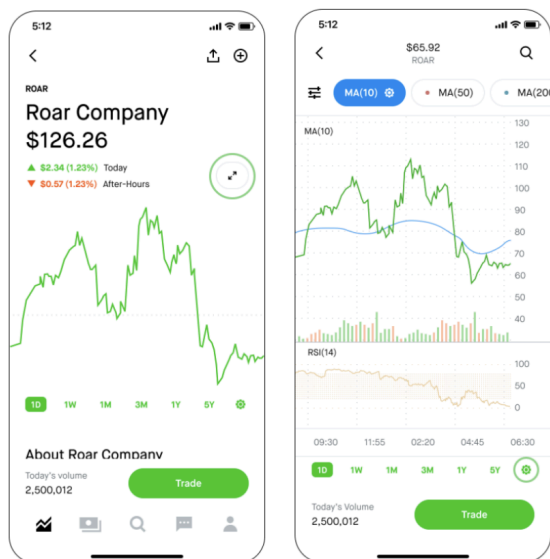
- The **line chart** shows you the closing price at any point in time.
- The **candlestick chart** shows you 5 data points (open, close, low, high, and price direction) during a time interval, which is significantly more data to view at the same time in one place when compared to the line chart.

In the app, customers can view a standard or an advanced version of either the line or candlestick chart. However, on the web, you can only view the candlestick option as an advanced chart.

Image 1, below, shows the difference between the standard (left) and advanced line charts (right) for ROAR within Robinhood's app.

⁶ [Your financial journey starts here | Robinhood Learn](#)

Image 1



Charts are an efficient way for customers to visualise a lot of information about a stock, ETF, or crypto price all at once. By showing how much the price has moved up or down in a certain time period, a chart helps investors better understand how the price is moving. Given the diversity in experience level of Robinhood's customer base, we allow customers to customise their chart setting to ensure the design and presentation of this information is approachable and supports their specific needs.

Image 2



Another example of how Robinhood uses graphic representations to strengthen brokerage customers' understanding of a product or investment is with the Robinhood Retirement product. We have found that showing a visual depiction (*Image 2*) of compound interest allows customers to better understand the value of opening a retirement account.

We're proud to have been recognized for this work through prominent design awards. In 2015, Robinhood's iOS app **won** the coveted Apple Design Award for our "clean, content-centric design, and beautiful typography that nicely balances app branding and iOS design conventions." In 2016, we **won** the Google Play Award for Best Use of Material Design.

10. What is your positive and negative experience with layering information?

Robinhood's user research has found that the use of layering information generally creates a less confusing, and more approachable experience for customers. Within the Robinhood app, layering is used in situations in which it provides a direct, demonstrable benefit to the user. A key example of this is in Robinhood Crypto's trade flow (i.e., either the buy flow or sell flow, depending on the goal of the trade). The trade flow as it appears in the Robinhood Crypto app in the EU was carefully built to almost directly recreate Robinhood's US crypto offering – and therefore, the heavily-researched best practices that informed its development.

After conducting customer research on customers' experience buying and selling crypto on Robinhood, we discovered there was confusion around pricing. This was due to both varying customer experience levels as well as the variation of pricing of crypto trade executions across different platforms (e.g. markup, spread, commission, etc.). Research showed that using layering throughout the course of the trade flow (e.g. showing the live price as it changed and then specifically listing the spread before users submitted the buy/sell) was key to addressing customers' confusion. The information we now show during the trade flow is the result of multiple iterations of in-depth user feedback, design development, and design testing with users. Customers

have conveyed that it is useful for pricing information to be presented this way in order to correctly understand the pricing calculation, which has significantly improved the user experience. In this situation, among others, the positive impact of layering information has been explicitly expressed, and measured at scale, among users. Robinhood's goal in using layering is always to provide customers with the information they want and need in the most transparent and approachable way possible.

11. Do you currently have an overall register of marketing practices used? If you do, are there practices you follow-up on more frequently and if so, how do you decide which practises you follow-up on?

At Robinhood, we do not maintain an official register of marketing practices. Currently, our marketing efforts in the EU primarily revolve around leveraging social media platforms, such as X, where we maintain an account called @RobinhoodCrypto that is primarily used for updates.

Additionally, we utilise email and in-app notifications to inform our customer base about product launches. Customers must opt-in to these notifications and may opt-out at any time. In the near future, we intend to expand our marketing presence in countries where we have relevant authorisations enabling us to engage in marketing in local languages, such as Lithuania, Italy, and Poland.

When it comes to prioritising which marketing practices to follow up on more frequently, our decision is informed by a combination of compliance considerations, effectiveness, resource allocation, and market dynamics. That being said, we continuously evaluate and adjust our approach to ensure that our marketing efforts are aligned with local laws and regulations as well as with our broader goals.

16. What kind of educational material do you produce and publish?

Robinhood has a significant amount of easy-to-access, digestible education modules⁷. Customers can take quick courses on the basics of investing before their first trade. Our first modules cover why people invest, what the stock market is and how it works, and how to define your investing goals. This is just a starting point, and over time we have introduced more advanced, interactive learning tools to allow investors to easily access learning materials in-app, such as real time market news, level II market data, and analyst reports. Additionally, our resource hub Robinhood Learn already offers hundreds of articles on financial terms, concepts, and timely market trends to support customers across all knowledge levels. This material is complemented by the daily markets and business newsletter produced by independent subsidiary Sherwood Media, which has one of the largest audiences in the U.S.

Another notable example of our commitment to financial education is our recently launched 'Learn and Earn Crypto' programme. Our 'Learn and Earn' programme incentivises users to delve into cryptocurrency education by offering tangible rewards for their participation. Customers are able to access in-app educational lessons covering various crypto-related topics. These lessons are supplemented with quizzes that test their comprehension of the material. For example, a lesson on USDC might include questions such as 'what is a stablecoin', 'what is true about USDC', 'when can USDC be used', and 'what are two types of stablecoins'. Upon successful completion of the quiz, participants receive a crypto reward equivalent to EUR 5 of USDC, directly credited to their account.

It is important to note that our 'Learn and Earn' programme is structured to ensure fairness and engagement. Each customer is eligible for one reward per lesson, allowing them to earn USDC once for their participation.

⁷ [Your financial journey starts here | Robinhood Learn](#)

However, users are encouraged to revisit and reinforce their knowledge by retaking the quiz, thereby promoting continuous learning and retention of key concepts.

By integrating educational opportunities with tangible incentives, we aspire to cultivate a community of well-informed and committed long-term investors, empowering them to navigate the cryptocurrency landscape with confidence and proficiency.

19. Do you make use of affiliates or affiliate marketing? Why, and if not, why not?

Currently, Robinhood Europe does not use affiliates or affiliate marketing initiatives as defined in the consultation. While we do leverage influencers in the United States to support our marketing efforts, we are not pursuing similar strategies in the EU at this time. Recognising the importance of adhering to regulatory requirements and maintaining transparency in our marketing practices, any potential future initiatives involving affiliates or affiliate marketing will be carefully evaluated to ensure alignment with EU regulations and guidelines.

36. What kind of push-notifications do you send? - For example, what type of information is included, are the push notification bespoke to the consumer?

Robinhood's push notifications are opt-in (by the customer) only. Notifications are designed to keep people informed about their transactions (e.g. order confirmations) and alert them about important account activity (e.g. major price movements and earnings announcements). Unlike social media notifications, Robinhood does not require a customer to open the app to access the notification content.