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Via Electronic Submission (<https://comments.cftc.gov>)

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**Re: Request for Comment on the Use of Artificial Intelligence in
CFTC-Regulated Markets, Release No. 8853-24**

Dear Mr. Kirkpatrick:

Robinhood Derivatives, LLC, on behalf of its parent company Robinhood Markets, Inc. and its affiliates Robinhood Financial LLC and Robinhood Securities, LLC,¹ Robinhood Crypto, LLC, and Robinhood Money, LLC (together, "Robinhood"), submits this letter in response to the Commodity Futures Trading Commission ("CFTC") recent request for public comment on the use of artificial intelligence ("AI") in CFTC-regulated markets (the "Request").² Robinhood welcomes the invitation to support the CFTC's assessment of the benefits and risks associated with the use of AI in the futures markets, and to explain Robinhood's approach to the use of AI.

Robinhood commends the CFTC for taking a methodical, studied approach to the regulation of AI. This approach is in stark contrast to the Securities and Exchange Commission ("SEC"), which hastily issued a rule proposal last year on so-called "predictive data analytics" or "PDA" that would broadly regulate almost all technologies (basic and advanced) used by broker-dealers and investment advisors in almost every interaction with their customers (hereafter, the "PDA Proposal"). The SEC appears to have done little to understand the technologies it seeks to regulate and did little to engage with market participants before proposing the PDA rule. As we explain in our [comment letter](#) to the SEC, we believe the PDA Proposal is unnecessary and anti-technology, exceeds the SEC's statutory authority, and will harm retail investors by making it more expensive and difficult to invest and trade.

I. Robinhood Has Used Technology to Democratize Finance for All

¹ Both of these FINRA-member broker-dealers are wholly owned subsidiaries of Robinhood Markets, Inc.

² CFTC Press Release No. 8853-24 (Jan. 25, 2024).



Robinhood's mission is to democratize finance for all, regardless of a customer's background, income, or wealth. There is a large investment and wealth gap in the United States, which has created a divide in our country between the "haves" and the "have nots." Robinhood was founded to close this gap with its accessible product offering and user-friendly mobile application, which rely on technology to remove traditional barriers to investing and empower investors so that they can take control of their financial futures. Innovation and technology have been and remain the most effective means to drive financial inclusion and close the persistent racial wealth and investing gaps in our country. Through firms like Robinhood, innovation and technology have driven costs down and made investing and other financial services easier to understand and use, all of which have driven increased participation in our financial markets.

Using technology to open the markets to retail investors from all backgrounds, especially those who have been historically excluded, is central to our mission. Through our mobile app and website, Robinhood demystifies investing by providing free educational resources, financial literature, and user-directed subscriptions to news updates and information regarding securities in investors' portfolios. Because customers have 24/7 access to these tools and information, they have the freedom to consider and make decisions on their own schedule and time frame. 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 strongly believe that 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.

Today, Robinhood has over 23 million customers, many of whom are younger and more diverse than yesterday's investors.³ Our customers hail from every state in the country and are a representative cross-section of America: more than one-third of Robinhood customers are women, Black investors represent fourteen percent of Robinhood's customer base compared with just four percent at incumbent firms, and Hispanic investors account for fifteen percent of Robinhood's customers compared with seven percent at incumbent firms.⁴ We're proud of our customer base, but we're not unique. Across the industry, retail-focused broker-dealers followed Robinhood's lead—dropping costly commissions and account

³ Press Release, Robinhood, Robinhood Markets, Inc. Reports February 2023 Operating Data (Mar. 13, 2023), https://s28.q4cdn.com/948876185/files/doc_downloads/Monthly/2023/03/Robinhood-Markets-Inc-Reports-February-2023-Operating-Data.pdf (23.1 million total funded accounts); Gretchen Howard, Latinx Investors Are Part of the New Wall Street, Robinhood: Blog (Oct. 12, 2021), <https://newsroom.aboutrobinhood.com/latinx-investors-are-part-of-the-new-wall-street/> ("We see more than double the industry average of Latinx and Black investors on our platform, and we know that new investors in 2020 were younger and more diverse than experienced investors."); SEC, Staff Report on Equity and Options Market Structure Conditions in Early 2021, at 9 (2021), <https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf> ("Robinhood reported that its average customer is 31 years old and has a median account balance of \$240.").

⁴ See https://s202.q4cdn.com/116136317/files/doc_downloads/2023/06/2023-06-FY22-ESG-Report-Robinhood-Markets-Inc.pdf, pg. 17



minimums—and in the process opened nearly 70 million more accounts by late 2021 as compared to the number open in late 2017.

Further, the Federal Reserve reported that a record-setting 58% of U.S. households owned stocks in 2022, up from 53% in 2019.⁵ FINRA has also reported that Black and Hispanic investors are entering the market at a faster pace, and tend to be much younger than their counterparts.⁶ This is truly revolutionary progress. As policymakers on both sides of the aisle have long recognized, participating in the securities markets is the best way for individual Americans to generate long-term wealth, reduce our country's persistent income and investing diversity gaps, and drive economic growth. In recent decades, the U.S. securities markets have transformed from a marketplace wholly dominated by a handful of broker-dealers and exchanges that stifled competition, where most Americans could not afford to participate, to today's markets where bid/ask spreads for actively traded stocks are generally tight and the cost of investing and trading has never been lower, competition is thriving, and market participation has never been more widespread. Much of these gains across market participation and efficiency can be attributed to improvements in technology across financial services firms and their customers.

Through Robinhood Derivatives, we are continuing our mission of democratizing finance for all by bringing a new generation of investors to the futures markets. These markets have become more accessible in recent years with the introduction and expansion of micro contracts, allowing everyday investors to participate with smaller margin requirements. We believe Robinhood can build on this momentum by offering an approachable, innovative platform with great education and economics for customers. As the saying goes, “diversification is the only free lunch” in investing, and most retail investors are missing out on the diversification offered by futures markets.⁷ The use of technology, including AI, will be essential to broadening access to these markets.

II. AI Usage at Robinhood

As mentioned above, Robinhood leverages technology to provide great value to our customers, ensure they have a positive experience, and provide them with the information they want and need to manage their finances. While still in its infancy, over time AI will allow Robinhood to significantly enhance the customer experience and value of our services. AI will allow us to better educate, serve, and support customers at scale while bringing new participants to the markets. AI also holds the promise to continue to drive investment and trading costs down.

⁵ See <https://www.federalreserve.gov/publications/files/scf23.pdf>, pg. 19

⁶ <https://www.finra.org/media-center/newsreleases/2024/finra-foundation-research-examines-investors-color>.

⁷ See Retail Traders in Futures Markets (Feb. 15, 2024).

(https://www.cftc.gov/sites/default/files/2024-02/Retail_Traders_Futures_V2_website_ada.pdf)



One of our core values at Robinhood is “Safety First,” and this principle guides our approach to AI adoption. Prior to rolling out an AI use case, stakeholders from numerous functional areas, including but not limited to engineering, privacy, security, legal, compliance, and risk, review the proposal. On top of these reviews, operating committees of the Robinhood businesses also review relevant AI proposals. We are hiring an AI Compliance Lead who will work closely with the Chief Compliance Officer of Robinhood Derivatives on any AI uses affecting the futures business. These processes are regularly updating as the AI products available and the legal and regulatory guidance around them evolves.

Robinhood is rolling out AI use cases incrementally across the organization, and expects AI to eventually be fundamental to our operations. We aim to create and support an AI-enabled workforce, and provide an enterprise license for ChatGPT to all full-time employees to develop broad familiarization with generative AI tools. We are building educational resources, policies around the use of generative AI, and privacy and security guardrails for approved tools. Our goal is to safely foster a culture of automation across all levels of the organization by challenging departments to reimagine their workflows with the new tools available. We will actively encourage and train our workforce to integrate AI tools in their daily tasks, thereby making automation a more fundamental part of our operations. Ultimately, these improvements will lead to a superior customer experience.

Robinhood has already had some success in rolling out internal AI tools for our employees. For example, our customer experience agents utilize AI to prepare for conversations with customers. When a customer indicates the reason for reaching out, AI tools can offer potential resolutions to our customer experience agents, who review, approve, deny, or edit the solution before communicating it to the customer. The agent is responsible for the response received by the customer, but is able to leverage AI tools to improve the accuracy of the response and the customer experience. Responses provided by agents are systematically reviewed as part of Robinhood’s supervisory procedures.

Building upon the learnings from the suggested responses for customer experience agents, Robinhood is exploring an AI Chatbot to efficiently identify and resolve issues for customers. This chatbot will provide relevant information from our extensive Help Center articles, and customers can still request to interact with an agent if desired. As the chatbot matures and improves, we will consider expanding the breadth of issues it can address. This is just the start, and we are excited to continue leveraging AI to improve the customer experience.

III. The CFTC’s Approach to AI Regulation

We believe that in developing its approach to the usage of AI in futures and commodities markets, the CFTC should start from the premise that innovation and technology have been and remain the most effective means to drive access to the financial markets, increase financial inclusion, and close the persistent racial wealth and investing gaps in our country. Innovation and technology have driven costs down and made investing and other financial services easier to understand and use, all of which have



driven increased participation in our financial markets. Robinhood supports the Request's stated purpose to "enable staff to assess the benefits and risks associated with the use of AI in CFTC-regulated markets, to inform staff's supervisory oversight and to evaluate the need for any future guidance and rulemakings." The CFTC's desire to understand the risks, benefits, and usage of AI before deciding whether rulemaking is the right approach. Industry rules already prohibit fraud, deceit, manipulation, and misleading communications, and there is no convincing evidence that AI currently creates a material regulatory gap for the CFTC-regulated (and SEC-regulated) markets.⁸

Unfortunately, not all financial markets regulators are taking the CFTC's measured approach. Much of the progress the financial services industry has made relating to increased market participation and efficiency is at risk because of misguided policy initiatives from the current leadership at the SEC. As described in more detail below, the SEC's PDA Proposal will have the effect of locking out the new generation of investors that Robinhood has helped bring into the market by making investing and trading more costly and difficult for retail investors.

IV. The SEC's PDA Proposal

The SEC recently proposed rules under the Securities Exchange Act of 1934 ("Exchange Act") and Investment Advisers Act of 1940 ("Advisers Act") intended to address theoretical conflicts of interest related to the use of so-called "predictive data analytics" by broker-dealers and investment advisers.⁹ The PDA Proposal is incredibly broad and prescriptive. If adopted in its current form, the PDA Proposal would effectively prevent investment advisers and broker-dealers from using many beneficial technologies – from basic spreadsheets, calculators, and graphic design all the way to advanced AI programs – to provide services that customers *want and need*, unless those firms are able to meet very onerous and costly, if not impossible, regulatory requirements. As such, the PDA Proposal is anti-technology and anti-innovation.

Notably, the PDA Proposal arbitrarily and capriciously abandons disclosure as an appropriate tool to manage conflicts of interests associated with the use of technology. Disclosure has been the bedrock of the federal securities laws for nearly a century, and the SEC has failed to present any compelling evidence that disclosure would not be effective in addressing conflicts that may arise when broker-dealers and investment advisers use technology to interact with their customers.¹⁰ Nevertheless, the PDA Proposal

⁸ See e.g., NFA Rules 2-2 and 2-4

⁹ Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker-Dealers and Investment Advisers, 88 Fed. Reg. 53,960 (Aug. 9, 2023).

¹⁰ See Letter from Sergio Alberto Gramitto Ricci and Christina M. Sautter to SEC (Oct. 9, 2023), *available at* <https://www.sec.gov/comments/s7-12-23/s71223-269659-651462.pdf> ("We believe that the Commission can play a fundamental role in weeding out technology-based practices that pose a threat to investors, without impacting an increasingly better-developed infrastructure, largely reliant on technology, for retail investors. A regulatory approach based on clear and effective disclosure is consistent with the Commission's long tradition favoring a disclosure of conflicts rather than an elimination of conflicts.") (citing in Appendix B to the letter multiple SEC and Financial Industry Regulatory Authority rules that allow for disclosure to address conflicts of interest).



would require firms to “eliminate or neutralize” conflicts, which would likely lead firms to avoid using some “conflicted” technologies that may otherwise benefit investors.

Robinhood is deeply concerned that the SEC’s misinformed PDA Proposal will jeopardize the progress we and the industry have made in making U.S. markets more diverse and accessible to everyone. The PDA Proposal starts from the apocryphal premise that broker-dealers’ and investment advisers’ use of technology is inherently conflicted and necessarily causes investor harm. The PDA Proposal then places such onerous burdens and costs on broker-dealers and investment advisers that use technology that—by the SEC’s own admission—some firms will stop providing certain (prospectively many) technologies to customers altogether.

V. Conclusion

Robinhood encourages the CFTC to avoid following in the SEC’s footsteps with its recent PDA Proposal, and instead pursue a regulatory approach that protects customers while embracing the benefits for all stakeholders that technology and open, competitive markets have enabled across financial services. Any AI regulatory approach should start with the premise that innovation and technology are the great equalizer, as is shown from the record market participation from younger and more diverse participants, as well as U.S. households as a whole. AI technology is continuing to evolve and financial services firms are still in the early stages of integrating AI technology into their businesses, both internally and from a customer-facing standpoint. The CFTC’s strategy should focus on (1) promoting the responsible use of AI technologies in the markets it oversees; (2) rejecting the misguided position that technology itself is the problem; and (3) studying in detail how AI technologies are developing, how they are being used, how firms oversee/supervise AI deployment, what the specific benefits and risks may be, and whether existing regulations are sufficient to address these risks.

We appreciate the opportunity to provide input on the development of the CFTC’s approach to AI regulation. Please contact me at jb.mackenzie@robinhood.com if you have any questions or comments.

Sincerely,

DocuSigned by:

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JB Mackenzie

VP & GM of Futures and International
Robinhood Markets