

KAPLAN FOX & KILSHEIMER LLP

Matthew B. George (SBN 239322)
Maia C. Kats (*pro hac vice*)
Laurence D. King (SBN 206423)
Mario M. Choi (SBN 243409)
1999 Harrison Street, Suite 1560
Oakland, CA 94612
Telephone: 415-772-4700
Facsimile: 415-772-4707
mgeorge@kaplanfox.com
mkats@kaplanfox.com
lking@kaplanfox.com
mchoi@kaplanfox.com

COTCHETT, PITRE & MCCARTHY, LLP

Anne Marie Murphy (SBN 202540)
Mark C. Molumphy (SBN 168009)
Noorjahan Rahman (SBN 330572)
Tyson C. Redenbarger (SBN 294424)
Julia Q. Peng (SBN 318396)
San Francisco Airport Office Center
840 Malcolm Road, Suite 200
Burlingame, CA 94010
Telephone: (650) 697-6000
Facsimile: (650) 697-0577
amurphy@cpmlegal.com
mmolumphy@cpmlegal.com
nrahman@cpmlegal.com
tredenbarger@cpmlegal.com
jpeng@cpmlegal.com

[Additional Counsel Appear on Signature Page]

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

In re: Robinhood Outage Litigation

Case No. 3:20-cv-01626-JD

**SECOND AMENDED CONSOLIDATED
CLASS ACTION COMPLAINT**

DEMAND FOR JURY TRIAL

INTRODUCTION

1
2 1. Plaintiffs bring this putative class action against Defendants Robinhood Financial,
3 LLC (“Robinhood Financial”), Robinhood Securities, LLC (“Robinhood Securities”), and
4 Robinhood Markets, Inc. (“Robinhood Markets”) (collectively, “Robinhood”), demanding a trial
5 by jury. Plaintiffs make the following allegations pursuant to the investigation of counsel and based
6 upon information and belief, except as to the allegations specifically pertaining to each individual
7 Plaintiff, which are based on personal knowledge.

8 2. Robinhood is an online brokerage firm founded in 2013 that states it is “a pioneer
9 in commission-free investing.” Robinhood’s customers can place securities trades through the
10 firm’s website and by using a web-based application (or “app”). Robinhood permits customers,
11 when its trading platform is operational, to purchase and sell certain securities, including option
12 contracts, and engage in trading on margin. The company has no storefront offices and operates
13 entirely online. Robinhood is a FINRA¹ regulated broker-dealer

14 3. Unfortunately for Robinhood’s customers, including Plaintiffs and the putative class
15 (the “Class”), Robinhood’s trading systems have repeatedly crashed—preventing Plaintiffs and the
16 Class from accessing their accounts and making any trades through the firm’s website or app. The
17 most significant crash occurred on Monday, March 2, 2020, and extended through mid-day
18 Tuesday, March 3, 2020. The March 2-3 outage crashed all of Robinhood’s operating systems for
19 more than a full trading day.

20 4. Several days later, on March 9, 2020, Robinhood again experienced another
21 complete system outage. Plaintiffs and Class members again experienced significant outages on
22 March 13, 16, and June 18, 2020. In total, the Robinhood website and app have gone down 47
23 times since March.² The service outages are individually referred to as an “Outage” and

24 ¹ Financial Industry Regulatory Authority, Inc. (FINRA) is a private corporation that acts as a a
25 non-governmental, self-regulatory organization that regulates member brokerage firms and
exchange markets.

26 ² Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
The New York Times (July 8, 2020)
27 [https://www.nytimes.com/2020/07/08/technology/robinhood-risky-
trading.html?searchResultPosition=2](https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2) (last visited Aug. 19, 2020).
28

1 collectively as the “Outages”.³

2 5. During the Outages, Robinhood’s customers were completely unable to use the
3 services, including to buy or sell securities or to exercise option contracts through Robinhood’s
4 website and app. Robinhood’s help center, which should provide email and phone support, was
5 also unavailable during the Outages and customers were unable to obtain any information or
6 meaningful assistance from Robinhood. During the Outages, Class members repeatedly attempted
7 to contact the help center, by phone and email, to no avail. Robinhood has admitted that during the
8 Outages the help center was unavailable and that Robinhood’s phone support was non-existent.
9 Customers were thus left with no recourse during the Outages, unable to access their funds or
10 exercise time-sensitive trades. They were forced to sit helplessly until services were re-established.

11 6. The Outages on March 2 and 3, 2020, were particularly devastating for Plaintiffs
12 and the Class as the Dow Jones Industrial Average rose 5.1% during that time.⁴ Meanwhile,
13 Robinhood users were locked out of their accounts and unable to access their funds or make
14 trades—while the markets gained a record \$1.1 trillion. The Outage on March 9, 2020, was
15 similarly harmful, as the Dow Jones Industrial Average had its largest point plunge in history up to
16 that date.⁵ Again, Plaintiffs and the Class were unable to access their funds or make trades and
17 suffered significant losses as a result. Trades that were placed before the Outages, for which
18 Plaintiffs and the Class received trade confirmations, also failed, or were processed at incorrect
19 times or incorrect prices during the Outages. Additionally, Plaintiffs and the Class members were,
20 at times during the Outages, able to seemingly place trades, and again the Plaintiffs and class
21 received trade confirmations; however, it was later learned that those trades also failed, or were
22

23 ³ Plaintiffs and the Class seek damages related to the Outages on March 2, 3, and 9, 2020.

24 ⁴ Fred Imbert and Eustance Huang, *Dow roars back from coronavirus sell-off with biggest gain*
25 *since 2009, surges 5.1%*, CNBC (March 2, 2020) [https://www.cnbc.com/2020/03/01/awaiting-](https://www.cnbc.com/2020/03/01/awaiting-us-stock-futures-open-at-6-pm-after-wall-streets-worst-week-since-2008.htm)
26 [us-stock-futures-open-at-6-pm-after-wall-streets-worst-week-since-2008.htm](https://www.cnbc.com/2020/03/01/awaiting-us-stock-futures-open-at-6-pm-after-wall-streets-worst-week-since-2008.htm) (last visited Aug.
27 19, 2020).

28 ⁵ Kimberly Amadeo, *How Does the 2020 Stock Market Crash Compare With Others? The*
29 *Balance* (April 27, 2020) [https://www.thebalance.com/fundamentals-of-the-2020-market-crash-](https://www.thebalance.com/fundamentals-of-the-2020-market-crash-4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi)
30 [4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi](https://www.thebalance.com/fundamentals-of-the-2020-market-crash-4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi)
31 [story](https://www.thebalance.com/fundamentals-of-the-2020-market-crash-4799950#:~:text=The%20stock%20market%20crash%20of,point%20drops%20in%20U.S.%20hi) (last visited Aug. 19, 2020).

1 processed at incorrect times or incorrect prices during or after the Outages.

2 7. Such failures constitute negligence, breaches of contract and fiduciary duties, and
3 are violations of FINRA regulations. Per FINRA regulations, Robinhood has a duty to process
4 trades timely and at the best prices for its users. Robinhood is also required to have a business
5 continuity plan identifying a procedure relating to an emergency or significant business disruption.
6 During the Outages, Robinhood failed to process trades in a timely manner or at all, and it was
7 discovered that Robinhood's continuity plan was nonexistent. Robinhood simply abandoned its
8 customers.

9 8. The loss of access to Robinhood's trading platform and absence of contingency
10 plans and customer service support caused concrete, particularized, and actual damages for
11 Robinhood customers. Plaintiffs and members of the class were unable to monitor their accounts,
12 make trades, or exercise their option contracts to capitalize on gains or to mitigate losses. Many
13 Plaintiffs and Class members held options contracts that expired, worthless, during the Outages.
14 And some of those contracts, such as the contracts held by certain Plaintiffs herein, were exercised
15 by Robinhood during the Outages, without express authorization or approval of its customers, at a
16 loss. Other Plaintiffs and Class members were subjected to forced margin calls as a result of the
17 Outages, which they otherwise would have been able to avoid if they had access to their accounts.

18 9. Robinhood accepts fault for the Outages, which it attributes to stress on its systems.
19 According to Robinhood employees, the March 2020 "outage was rooted in issues with the
20 company's phone app and servers. They said the start-up had underinvested in technology and
21 moved too quickly rather than carefully."⁶ These flaws were known and insufficiently addressed:
22 "[s]oftware mishaps have rocked Robinhood before," including in 2018, for example, when
23 its "options trading service had an outage that locked consumers out of their accounts and stopped
24

25
26 _____
27 ⁶ Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
28 *The New York Times* (July 8, 2020)
<https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2> (last visited Aug. 19, 2020).

1 them from closing positions[.]”⁷

2 10. In offering trading services, Robinhood assumed a duty to ensure that its systems
3 were sufficiently equipped to reliably deliver such services under reasonably foreseeable customer
4 demands and market conditions, such as those at issue in this case. Robinhood acted negligently
5 by failing to adequately or properly equip itself technologically and systemically to maintain
6 Plaintiff and Class members’ access to trading services. Due solely to its own negligence and failure
7 to maintain adequate infrastructure, Robinhood breached obligations owed to Plaintiff and Class
8 members and caused them substantial losses. Its failures are all the more serious due to
9 Robinhood’s history of such failures, the magnitude of the Outages, the absence of alternative
10 means for customers to protect their positions and investments, and lack of communication and
11 customer support.

12 11. Plaintiffs bring this class action on behalf of Robinhood customers who were denied
13 access to their Robinhood trading accounts during the Outages and for the many, including
14 themselves, who suffered losses as a result of the Outages. Plaintiffs assert putative class action
15 claims generally including negligence, breach of contract, breach of fiduciary duty, and violations
16 of California’s Unfair Competition Law, on behalf of themselves and all other Robinhood
17 customers who are similarly situated. Plaintiffs seek damages, restitution, disgorgement and
18 declaratory relief.

19 PARTIES

20 12. Plaintiff Daniel Beckman (“Plaintiff Beckman”) is a citizen of Florida and is over
21 the age of 18.

22 13. Plaintiff Joseph Gwaltney (“Plaintiff Gwaltney”) is a citizen of Florida and is over
23 the age of 18.

24 14. Plaintiff Emma Jones (“Plaintiff Jones”) is a citizen of Texas and is over the age

25 _____
26 ⁷ John Gittlelsohn, Annie Massa, and Jennifer Surane, *Robinhood Maxed Out a Credit Line Last*
27 *Month as Markets Fell*, Bloomberg (March 10, 2020)
28 <https://www.bloomberg.com/news/articles/2020-03-10/robinhood-maxed-out-credit-line-last-month-amid-market-tumult> (last visited Aug. 19, 2020).

1 of 18.

2 15. Plaintiff Leila Kuri (“Plaintiff Kuri”) is a citizen of North Carolina and is over the
3 age of 18.

4 16. Plaintiff Jared Leith (“Plaintiff Leith”) is a citizen of Minnesota and is over the age
5 of 18.

6 17. Plaintiff Omeed Mahrouyan (“Plaintiff Mahrouyan”) is a citizen of California and
7 is over the age of 18.

8 18. Plaintiff Mahdi Heidari Moghadam (“Plaintiff Moghadam”) is a citizen of Texas
9 and is over the age of 18.

10 19. Plaintiff Howard Morey (“Plaintiff Morey”) is a citizen of Oklahoma and is over the
11 age of 18.

12 20. Plaintiff Colin Prendergast (“Plaintiff Prendergast”) is a citizen of California and is
13 over the age of 18.

14 21. Plaintiff Raghu Rao (“Plaintiff Rao”) is a citizen of New Jersey and is over the age
15 of 18.

16 22. Plaintiff Michael Riggs (“Plaintiff Riggs”) is a citizen of Pennsylvania and is over
17 the age of 18.

18 23. Plaintiff Kevin Russell (“Plaintiff Russell”) is a citizen of Illinois and is over the
19 age of 18.

20 24. Plaintiff Jason Steinberg (“Plaintiff Steinberg”) is a citizen of California and is over
21 the age of 18.

22 25. Plaintiff Jared Ward (“Plaintiff Ward”) is a citizen of California and is over the age
23 of 18.

24 26. Plaintiff Mengni Xia (“Plaintiff Xia”) is a citizen of New York and is over the age
25 of 18.

26 27. Defendant Robinhood Financial is a Delaware corporation with its principal place
27 of business at 85 Willow Road, Menlo Park, California 94025. It is a wholly-owned subsidiary of
28 Robinhood Markets. Robinhood Financial is registered as a broker-dealer with the U.S. Securities

1 & Exchange Commission (“SEC”). Defendant Robinhood Financial acts as an introducing broker
2 and has a clearing arrangement with its affiliate Defendant Robinhood Securities.

3 28. Defendant Robinhood Securities is a Delaware corporation with its principal place
4 of business at 500 Colonial Center Parkway, Suite 100, Lake Mary, Florida 32746. It is a wholly-
5 owned subsidiary of Defendant Robinhood Markets.

6 29. Defendant Robinhood Markets is a Delaware corporation with its principal place of
7 business at 85 Willow Road, Menlo Park, California 94025. Defendant Robinhood Markets is the
8 corporate parent of Defendants Robinhood Financial and Robinhood Securities. Robinhood
9 Markets is also the entity that actually owns, develops and/or maintains the technology
10 infrastructure that was at the root cause of and that was impacted by the Outages. Robinhood
11 Markets is the developer and provider of the mobile application that Plaintiffs downloaded and
12 used as customers of Robinhood. Robinhood Markets is the employer of most, if not all, of the key
13 engineering personnel who developed, designed and maintained the technology infrastructure that
14 failed during the Outages. Most, if not all, of Robinhood Markets’ engineering employees who
15 were responsible for developing and/or maintaining Robinhood’s electronic securities trading
16 application perform their work at facilities and/or on equipment owned or leased by Robinhood
17 Markets, which also acts as a technology vendor for its own subsidiaries Robinhood Financial and
18 Robinhood Securities. Robinhood Markets also pays for and provides staffing and services
19 pertaining to customer service for Robinhood Financial and Robinhood Securities, including at
20 times pertinent to the Outages. Certain personnel maintain multiple roles at the various entities,
21 such as Robinhood Markets’ current director of engineering who also serves as Robinhood
22 Financial’s Chief Technology Officer, creating intertwined management and supervision of the
23 technology infrastructure that failed during the Outages and gives rise to Plaintiffs’ claims.
24 Plaintiffs bring their claims against Robinhood Markets in its capacity as a parent corporation of
25 the co-defendants, but also in its own capacity as an alleged tortfeasor on the claims identified
26 below.

27 **JURISDICTION AND VENUE**

28 30. This Court has jurisdiction over the subject matter of this action pursuant to 28

1 U.S.C §1332(d), because the amount in controversy for the Classes exceeds \$5,000,000 exclusive
 2 of interest and costs, there are more than 100 putative Class members defined below and minimal
 3 diversity exists because the majority of putative Class members are citizens of a state different than
 4 Defendants.

5 31. Pursuant to 28 U.S.C. § 1391, this Court is the proper venue for this action because
 6 a substantial part of the events, omissions, and acts giving rise to the claims herein occurred in this
 7 District where Robinhood is headquartered and where it developed and sold the financial services
 8 which are the subject of the present complaint. Finally, venue is appropriate in this District pursuant
 9 to 28 USC § 1391(b)(2) because Robinhood is headquartered in Menlo Park and a substantial part
 10 of the acts and omissions that gave rise to this Complaint occurred or emanated from this District.

11 32. This Court has personal jurisdiction over Robinhood because it is headquartered in
 12 and authorized to do business and does conduct business in California, and because it has sufficient
 13 minimum contacts with this state and/or sufficiently avails itself of the markets of this state through
 14 its business within this state to render the exercise of jurisdiction by this Court permissible.

15 INTRADISTRICT ASSIGNMENT

16 33. Pursuant to Civil Local Rule 3-2(c), an intradistrict assignment to the San Francisco
 17 Division is appropriate because a substantial part of the events or omissions which give rise to the
 18 claims asserted herein occurred in this Division, and because the District Court transferred this
 19 matter to the San Francisco Division after it was originally filed in the San Jose Division, and then
 20 consolidated about a dozen related matters filed in, transferred to, or removed to this District.

21 FACTUAL ALLEGATIONS

22 **Robinhood's Business Model**

23 34. Robinhood was founded by Vlad Tenev and Baiju Bhatt, who met each other at
 24 Stanford University in 2005. After teaming up on several ventures, including a high-speed trading
 25 firm, they created Robinhood in 2013.⁸

26 _____
 27 ⁸ Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
 28 *The New York Times* (July 8, 2020)
<https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2> (last visited Aug. 19, 2020).

1 35. Robinhood offers people the ability to invest in stocks, ETFs, and options through
2 an electronic trading platform, both online and through an app.

3 36. Robinhood competes with other online and traditional brokerages by not charging
4 trading fees. At the time of its founding, most brokerage firms charged about \$10 or more to make
5 a trade. Robinhood also competes with traditional financial institutions by offering more user-
6 friendly digital services, which has made Robinhood very popular, especially with younger traders.
7 In July of 2020, Robinhood said it had over 13 million users on its platform. In August 2020, after
8 raising \$200 million in Series G funding, Robinhood was valued at \$11.2 billion.⁹

9 37. Robinhood's original product was commission-free trades of stocks and
10 exchange-traded funds. As Robinhood grew, it added more risky and complex products—like
11 options and margin trading. Those products, combined with Robinhood's game-like interface, have
12 been a hit with millennials, and its typical customer is 31 years old on average.¹⁰

13 38. Robinhood's trading app, when functional, is designed to be easy to use. For
14 example, on the Robinhood home screen, there is a list of popular stocks that users can “trade” with
15 just the touch of the screen, which skips many of the steps that other firms require.

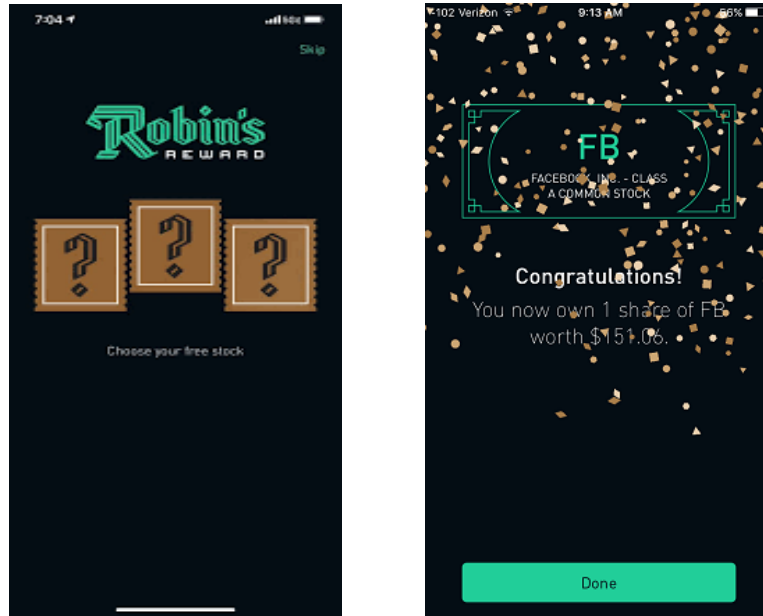
16
17
18
19
20
21
22
23
24

⁹ Kate Rooney, *Robinhood snags third mega-investment of the year, boosting valuation to \$11.2 billion*, CNBC (August 17, 2020) <https://www.cnbc.com/2020/08/17/robinhood-announces-another-mega-round-valuation-soars-to-11point2b.html> (last visited Aug. 19, 2020).

25
26
27
28

¹⁰ Graham Rapier, *Robinhood had to install protective glass after frustrated traders kept showing up at its office*, Business Insider (July 10, 2020) <https://www.businessinsider.com/robinhood-office-installed-bulletproof-glass-after-frustrated-traders-visited-report-2020-7> (last visited Aug. 19, 2020).

1 39. Robinhood also includes many features that make investing appear more like a
2 game. New members are given a free share of stock when they join Robinhood—to reveal the
3 stock users scratch-off images that look like a lottery ticket.¹¹ Once the stock is revealed, confetti
4 appears to fall from the top of the screen.



15 40. One of Robinhood’s popular features is the ability for users to engage in options
16 trading. Robinhood describes its options trading as “quick, straightforward & free.” To start
17 trading options, users respond to multiple-choice questions. “Beginners are legally barred from
18 trading options, but those who click that they have no investing experience are coached by the app
19 on how to change the answer to ‘not much’ experience. Then people can immediately begin option
20 trading.”¹²

21 41. According to the New York Times, Robinhood’s “success appears to have been built
22 on a Silicon Valley playbook of behavioral nudges and push notifications,¹³ which has drawn
23 inexperienced investors into the riskiest trading. . . And the more that customers engaged in such
24

25 ¹¹ Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
The New York Times (July 8, 2020)
26 [https://www.nytimes.com/2020/07/08/technology/robinhood-risky-
trading.html?searchResultPosition=2](https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2) (last visited Aug. 19, 2020).

27 ¹² *Id.*

28 ¹³ Nudges and push notifications are reminders or prompts sent directly to users. Nudges and push notifications may appear on a users home screen similar to a text message or email alerts.

1 behavior, the better it was for the company.”¹⁴ “At the core of Robinhood’s business is an incentive
2 to encourage more trading. It does not charge fees for trading, but it is still paid more if its
3 customers trade more.”¹⁵

4 42. A research analyst at Chicago-based Sumner Capital group pointed out that
5 Robinhood’s app has “slick interfaces. Confetti popping everywhere...They try to gamify trading
6 and couch it as an investment.”¹⁶ Unfortunately for many Americans, losing investment and
7 retirement funds or accruing colossal debt is not a game, and the consequences have been tragic.¹⁷

8 43. Robinhood’s digital platform app has been beset by its technology glitches, which
9 have been significant and ongoing. “In 2018, Robinhood released software that accidentally
10 reversed the direction of options trades giving customers the opposite outcome from what they
11 expected. Last year, it mistakenly allowed people to borrow infinite money to multiply their bets,
12 leading to some enormous gains and losses.”¹⁸

13 44. Robinhood claims that its more recent Outages resulted from “stress on [their]
14 infrastructure” due to “unprecedented load,” and “record volume.”¹⁹ But these circumstances,
15 even if true, were encouraged and driven by Robinhood’s own business model—encourage its users
16 to trade as much as possible.²⁰

17
18 ¹⁴ Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
The New York Times (July 8, 2020)

19 [https://www.nytimes.com/2020/07/08/technology/robinhood-risky-
trading.html?searchResultPosition=2](https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2) (last visited Aug. 19, 2020)..

20 ¹⁵ *Id.*

21 ¹⁶ Antoine Gara, Sergei Klebnikov, *20-Year-Old Robinhood Customer Dies by Suicide After
Seeing a \$730,000 Negative Balance*, Forbes (June 17, 2020)

22 [https://www.forbes.com/sites/sergeiklebnikov/2020/06/17/20-year-old-robinhood-customer-dies-
by-suicide-after-seeing-a-730000-negative-balance/#11d468081638](https://www.forbes.com/sites/sergeiklebnikov/2020/06/17/20-year-old-robinhood-customer-dies-by-suicide-after-seeing-a-730000-negative-balance/#11d468081638) (last visited Aug. 19, 2020).

23 ¹⁷ *Id.*

24 ¹⁸ *Robinhood options errors*, Elite Trader, [https://www.elitetrader.com/et/threads/robinhood-
options-errors.327998/](https://www.elitetrader.com/et/threads/robinhood-options-errors.327998/) (last visited Aug. 19, 2020).

25 ¹⁹ Baiju Bhatt and Vladimir Tenev, *An Update from Robinhood’s Founders*, Robinhood (March
26 3, 2020) <https://blog.robinhood.com/news/2020/3/3/an-update-from-robinhoods-founders> ((last
visited Aug. 19, 2020).

27 ²⁰ Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
The New York Times (July 8, 2020)

28 [https://www.nytimes.com/2020/07/08/technology/robinhood-risky-
trading.html?searchResultPosition=2](https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2) (last visited Aug. 19, 2020).

1 45. Robinhood’s users trade more often than average, faster, and with more risk than
 2 traders who use other platforms. According to an analysis of new filings from nine brokerage firms
 3 by the research firm Alphacution for The New York Times, in the first quarter of 2020, Robinhood
 4 users traded nine times as many shares as E-Trade customers and 40 times as many shares as
 5 Charles Schwab customers. They also bought and sold 88 times as many risky options contracts as
 6 Schwab customers, relative to the average account size, according to the analysis.²¹

7 **Velocity of Options Trading at Leading Retail Brokers**

8 Options contracts traded for every dollar in the average customer’s account.



9
 10
 11
 12
 13 Note: Figure is the number of options contracts traded in the first quarter of 2020, per dollar in the
 14 average customer account. Robinhood does not provide data on customer holdings, but Alphacution
 15 estimated that the average account holds \$4,800, based on customer cash holdings listed in
 16 financial filings.

17 By The New York Times | Source: Alphacution Research Conservatory based on company filings

18 46. According to Tim Welsh, founder and CEO of wealth management consulting firm
 19 Nexus Strategy, “they should put a cigarette warning label on Robinhood, because it could be
 20 hazardous to your financial health the more you trade. Every study on planet Earth has shown day
 21 traders that are not sophisticated do not make money. They game-ify it, they throw confetti after
 22 each trade, the make it ‘free’ but ultimately it’s a losers game.”²²

23 **Robinhood’s Services and How it Makes Money**

24 47. When a user opens an account with Robinhood, they enter into a Customer
 25 Agreement with “Robinhood Financial LLC, Robinhood Securities, LLC, and their agents and
 26 assigns.” Prior to the Outages in March 2020, the Customer Agreement had most recently been
 27 revised on February 5, 2020. After the March Outages, Robinhood revised its Customer Agreement

28 ²¹ *Id.*

²² *Id.*

1 on April 28, 2020, and again on June 22, 2020.

2 48. Robinhood provides its users educational information with the tagline “Investing
3 can be complicated — that’s why we’re here. From beginners’ guides to timely features, explore
4 articles that make finance a little more understandable.” The information provided varies from
5 investment strategy for investors in their 20’s, to basic information about the market and common
6 terms used in investing.²³ Robinhood’s interface also highlights particular stocks and “makes
7 suggestions to users on what to trade next.”²⁴

8 49. Robinhood offers a paid subscription product called “Gold.” Users who purchase
9 Gold memberships pay \$5 a month to have faster deposit processing, access to professional
10 research, the ability to see additional information about stock prices, and the ability to invest on
11 margin.²⁵

12 50. Robinhood also makes money from “payment for order flow” fees. In fact, payment
13 for order flow fees are reportedly Robinhood’s primary revenue stream—greatly exceeding what it
14 earns from Robinhood Gold, or from the interest it makes on cash balances in customer accounts,
15 which is another source of Robinhood’s revenue.

16 51. Payment for order flow fees are paid to Robinhood from electronic market makers
17 for passing on customer orders. For example, if a Robinhood users purchase a share of Apple on
18 through their account, Robinhood sends that order to a large market maker like Citadel Securities
19 and receives a few pennies in return—i.e., the “payment for order flow” fees. Citadel, meanwhile,
20 completes the trade and makes a few pennies itself.²⁶

21 52. For Robinhood, those fees add up. According to a recent SEC filing, Citadel
22

23 ²³ See <https://learn.robinhood.com/> (last visited Aug. 19, 2020).

24 ²⁴ Alicia Adamcyk, Trading Apps Like Robinhood Are Having A Moment. But Users Should Be
25 Careful, CNBC (Aug. 21, 2020), <https://www.cnbc.com/2020/08/21/robinhood-is-having-a-moment-users-should-be-careful.html> (last visited Aug. 21, 2020).

26 ²⁵ A margin account is a brokerage account in which the broker lends the investor money to buy
27 more securities than what they could otherwise buy with the balance in their account.

28 ²⁶ Jeff John Roberts, David Z. Morris, *Robinhood makes millions selling your stock trades ... is that so wrong?*, Fortune (July 8, 2020), <https://fortune.com/2020/07/08/robinhood-makes-millions-selling-your-stock-trades-is-that-so-wrong/> (last visited Aug. 19, 2020).

1 Securities and several other firms paid Robinhood nearly \$100 million in the first quarter of 2020.²⁷
 2 And in the second quarter of 2020 — Robinhood made \$180 million off trades, roughly double
 3 from the prior quarter.²⁸

4 **The Outages**

5 53. At 9:33 am²⁹ the morning of March 2, 2020, a Monday and the first day of the month
 6 for trading traditional securities, Robinhood’s trading platform completely stopped functioning. As
 7 a result, at that moment, the platform stopped processing orders entered by customers prior to the
 8 Outage and customers were unable to enter new orders. The majority of users were also prevented
 9 from accessing their account and funds altogether. Robinhood was unable to restore full
 10 functionality until Tuesday, March 3, 2020 at 11:54 am. In total, Robinhood’s systems were
 11 nonfunctional or inaccessible to customers for 26 hours and 21 minutes.

12 54. At 11:02 am the morning of March 2, Robinhood publicly acknowledged the



13
 14
 15
 16
 17
 18
 19
 20 “downtime” and impact on “all functionalities” of the platform on Twitter:³⁰

21
 22 The Robinhood Help account (@AskRobinhood) is owned or controlled by Robinhood.

23
 24 ²⁷ *Id.*

25 ²⁸ Kate Rooney, Maggie Fitzgerald, *Here’s how Robinhood is raking in record cash on customer*
 26 *trades — despite making it free*, CNBC (August 13,
 2020), [https://www.cnbc.com/2020/08/13/how-robinhood-makes-money-on-customer-trades-](https://www.cnbc.com/2020/08/13/how-robinhood-makes-money-on-customer-trades-despite-making-it-free.html?source=iosappshare%7Ccom.apple.UIKit.activity.Mail)
 27 [despite-making-it-free.html?source=iosappshare%7Ccom.apple.UIKit.activity.Mail](https://www.cnbc.com/2020/08/13/how-robinhood-makes-money-on-customer-trades-despite-making-it-free.html?source=iosappshare%7Ccom.apple.UIKit.activity.Mail) (last
 28 visited Aug. 19, 2020).

²⁹ All times are Eastern Standard Time, unless otherwise indicated.

³⁰ Twitter, <https://twitter.com/AskRobinhood/status/1234509495084240898> (last visited Aug. 19,
 2020).

1 55. Around 4:00 pm on the afternoon of March 2, Robinhood emailed its customers
2 directly to repeat the substance of the message posted to Twitter earlier that morning, which was
3 that Robinhood was “experiencing downtime across [its] platform,” that the outage was “affecting
4 functionality on Robinhood,” and that the outage was affecting customers’ “ability to trade”:

5 Update on Robinhood System Status

6 This morning, starting at 9:33 AM ET, we started experiencing downtime across our
7 platform. These issues are affecting functionality on Robinhood, including your
8 ability to trade.

9 All of us at Robinhood are working as hard as we can to resume service, and we’ll
10 update you as soon as the issue is resolved. We understand the impact this is having
11 and we apologize for any trouble this has caused.

12 Please check our status page at status.robinhood.com. Thank you for being a
13 Robinhood customer.

14 Sincerely,
15 The Robinhood Team
16 robinhood.com

17 56. At 4:07 pm on March 2, immediately after emailing its customers, Robinhood

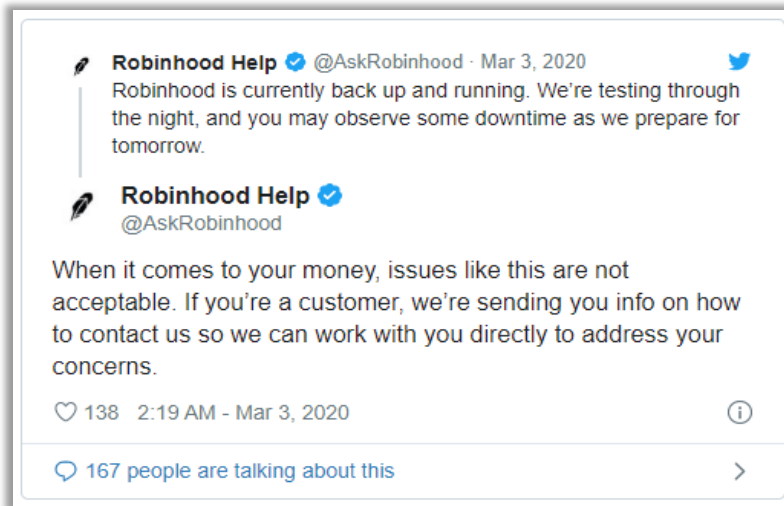


27 posted another message to Twitter publicly confirming that its platform was “still experiencing
28 system-wide issues” and that it had yet to “resume service”:³¹

57. Early on March 3, 2020, at 2:19 am, Robinhood posted two messages to its Twitter
account reporting that its systems were “currently back up and running,” that customers might

³¹ Twitter, <https://twitter.com/AskRobinhood/status/1234586094395523074> (last visited Aug. 19, 2020).

1 still “observe some downtime” as Robinhood prepared for the day, and acknowledging that “issues
2 like this are not acceptable”:³²



12 58. At about 2:45 am the morning of March 3, Robinhood sent another email to
13 customers saying directly to them what it had just said publicly, which was that its systems were
14 “currently back up and running,” that the outage was “not acceptable,” and that Robinhood
15 realized that it had “let [customers] down”:

16 Robinhood is currently back online

17 We’re reaching out to let you know that Robinhood is currently back up and running.
18 We want to assure you that your funds are safe and personal information was not
19 affected.

20 When it comes to your money, issues like this are not acceptable. We realize we
21 let you down, and our team is committed to improving your experience.

22 59. At 10:11 am on March 3, Robinhood reported, again through its public-facing



28 ³²Twitter, <https://twitter.com/AskRobinhood/status/1234740273877405697> (last visited Aug. 19, 2020).

1 Twitter account, that its “systems are currently experiencing downtime” and that “full
2 functionality” of the Robinhood platform remained unavailable to customers:³³

3 60. At 11:35 am, later the morning of March 3, Robinhood stated on its Twitter account
4 that its service had “been partially restored” and that it was “working toward restoring and
5 maintaining full functionality.”³⁴

6 61. At 11:54 am on March 3, Robinhood reported that its systems had been “now
7



13 fully restored”, while noting that its users deserved better:³⁵

14 62. Also on March 3, a Robinhood spokesperson admitted that the cause of the Outage
15 was “instability in a part of our infrastructure that allows our systems to communicate with each
16 other.” At some point later that day, Robinhood’s systems were restored.

17 63. Later, in a blog post on Robinhood’s website dated March 3, 2020, Robinhood’s
18 founders stated:

19 Our team has spent the last two days evaluating and addressing this
20 issue. We worked as quickly as possible to restore service, but it took
21 us a while. Too long. We now understand the cause of the outage was
22 stress on our infrastructure—which struggled with unprecedented
load. That in turn led to a “thundering herd” effect—triggering a
failure of our DNS system.

23 Multiple factors contributed to the unprecedented load that
24 ultimately led to the outages. The factors included, among others,

25 ³³ Twitter, <https://twitter.com/AskRobinhood/status/1234859068763844613> (last visited Aug. 19,
26 2020).

27 ³⁴ Twitter, <https://twitter.com/AskRobinhood/status/1234880124463435776> (last visited Aug. 19,
2020).

28 ³⁵ Twitter, <https://twitter.com/AskRobinhood/status/1234884989189124096> (last visited Aug. 19,
2020).

1 highly volatile and historic market conditions; record volume; and
2 record account sign-ups.

3 Our team is continuing to work to improve the resilience of our
4 infrastructure to meet the heightened load we have been
5 experiencing. We're simultaneously working to reduce the
6 interdependencies in our overall infrastructure. We're also investing
7 in additional redundancies in our infrastructure.³⁶

8 64. Notwithstanding Robinhood's explanations and apologies, its trading platform
9 crashed again the very next week. On March 9, 2020, Robinhood once again experienced outages
10 with customers unable to access their accounts and transact on the public markets.³⁷ Services were
11 completely unavailable at the start of the trading day and not fully restored until more than five
12 hours later.³⁸

13 65. As Robinhood admits, the Outages were a result of internal failures, not a result of
14 the overall market trading volume. On March 2, 2020, market data shows that on all U.S. exchanges
15 combined the volume of shares traded was 14,163,098,470 shares. On March 3, 2020, the volume
16 was 14,900,627,470 shares, and on March 9, 2020, the volume was 17,614,290,337 shares.³⁹ While
17 these numbers are higher than average, they are not unheard of and are not records. Trading volume
18 on February 27 and February 28, 2020, just before the outage, far exceeded either March 2 or 3,
19 2020 with 15,821,612,374 and 19,357,141,449 shares trading hands each day, respectively.

20
21
22 ³⁶ See <https://blog.robinhood.com/> (last visited Aug. 19, 2020).

23 ³⁷ Jonathan Shieber, *The Robinhood app went down again as stocks got routed on Wall St.*,
24 TechCrunch (Mar. 9, 2020), [https://techcrunch.com/2020/03/09/the-robinhood-app-is-downagain-
25 as-stocks-get-routed-on-wall-st/](https://techcrunch.com/2020/03/09/the-robinhood-app-is-downagain-as-stocks-get-routed-on-wall-st/) (last visited Aug. 19, 2020).

26 ³⁸ Jay Peters, *Robinhood experienced its third outage in a week as US stocks have
27 plummeted*, The Verge (March 9, 2020)
28 <https://www.theverge.com/2020/3/9/21171584/robinhood-outage-week-us-stocks-third-market>
(last visited Aug. 19, 2020).

³⁹ See U.S. Equities Market Volume Summary, available at
https://markets.cboe.com/us/equities/market_share/market/2020-03-02/,
https://markets.cboe.com/us/equities/market_share/market/2020-03-03/,
https://markets.cboe.com/us/equities/market_share/market/2020-03-09/.

1 February 28 was the second busiest day in history based on trading volume.^{40, 41}

2 66. Furthermore, twelve years ago, in 2008 during the market volatility surrounding the
3 financial crisis, there were two days on which trading volume was higher than the volume on any
4 of the dates Robinhood crashed. This includes the record for the highest trading volume on
5 October 10, 2008, at 19.76 billion shares.⁴² Trading volume of this magnitude was readily
6 foreseeable and Robinhood should have designed its system to handle it.

7 67. During the Outages, users were unable to contact Robinhood because Robinhood's
8 customer support "Help Center" was down and completely useless. Customers were unable to
9 contact any Robinhood representative through email, and there was no active phone number for
10 customers to call. Robinhood users were powerless—wholly unable to access their accounts or
11 make trades to mitigate their damages.

12 68. In Robinhood Securities, LLC's 2020 Annual Audited Report, filed with the SEC
13 on April 13, 2020, Robinhood described the Outages:

14 On March 2-3, 2020, the Robinhood platform experienced an outage across various
15 services, which prevented customers from using the app, website, and help center
16 and on March 9, 2020, the Robinhood platform experienced an outage across its
17 trading products, which prevented customers from placing trades (collectively, the
18 "Outages"). The Company is currently in the process of investigating and evaluating
19 the impact of the Outages. There are many uncertainties associated with these types
20 of incidents and possible impacts associated with service outages may include
21 remediation costs to customers, systems upgrades, increased insurance costs,
22 adverse effects on compliance with laws and regulations, litigation, and reputational
23 damage.

24 69. As of July 2020, Robinhood's website had experienced 47 service outages since
25 March, including the nearly two-day outages on March 2 and 3, 2020.

26 70. The significant and repeated Outages immediately increased public scrutiny of
27

28 ⁴⁰ See U.S. Equities Market Volume Summary, available at
https://markets.cboe.com/us/equities/market_share/market/2020-02-27/,
https://markets.cboe.com/us/equities/market_share/market/2020-02-28/.

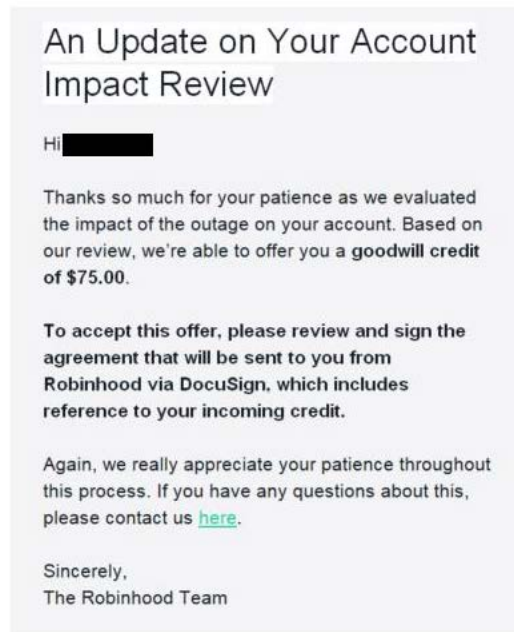
⁴¹ Philip Stafford, Richard Henderson, *Intense' trading sends exchange volumes to record*,
Financial Times (<https://www.ft.com/content/de34a00a-5ca4-11ea-8033-fa40a0d65a98>) (last
visited Aug. 19, 2020).

⁴² *Id.*

1 Robinhood. On July 8, 2020, the New York Times published an article profiling Robinhood.⁴³

2 71. According to Robinhood employees quoted in the New York Times article, the
3 March 2-3 “outage was rooted in issues with the company’s phone app and servers. The employees
4 also said the start-up had underinvested in technology and moved too quickly rather than carefully.”
5 The same employees, who declined to be identified in the article, bluntly stated that “the company
6 failed to provide adequate guardrails and technology to support its customers.”⁴⁴

7 72. On March 23, 2020, Robinhood offered a credit to many of its users and apologized
8 for its recent multiple-day outages. Robinhood called the offer a “goodwill” credit. However, in
9 exchange for the voucher, and even though multiple class actions had been filed by investors
10 damaged by the Outages, the company required users to sign a document agreeing not to take legal
11 action.⁴⁵



12
13
14
15
16
17
18
19
20
21
22
23 73. In the March 23, 2020, email to users Robinhood apologized, saying:

24 ⁴³ Nathaniel Popper, *Robinhood Has Lured Young Traders, Sometimes With Devastating Results*,
25 The New York Times (July 8, 2020)

26 <https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html?searchResultPosition=2> (last visited Aug. 19, 2020).

27 ⁴⁴ *Id.*

28 ⁴⁵ Kate Rooney, *Robinhood’s offer to traders impacted by outage comes with a catch: No lawsuits allowed*, CNBC (March 27, 2020) <https://www.cnbc.com/2020/03/27/robinhoods-offer-to-traders-impacted-by-outage-come-with-a-catch.html> (last visited Aug. 19, 2020).

1 “We’d like to start with the apology you deserve: We’re sorry for the recent outage
 2 on our platform. Your support is what helps us democratize finance for all, and we
 3 know we owe it to you to do better,” the company said in an email to some users.
 4 “An apology alone won’t rebuild your trust in us. Instead, we hope our actions will.”

5 74. The apologies have not been enough for users and many frustrated traders have
 6 shown up at Robinhood's Silicon Valley headquarters. So many angry users have paid a visit to
 7 the office that the stock-trading app reportedly installed protective “bulletproof” glass.⁴⁶

8 **Regulatory Framework**

9 75. As a broker-dealer, Robinhood is subject to various rules and regulations that impact
 10 many aspects of its business. One requirement is that Robinhood must make, keep, furnish and
 11 disseminate records and reports prescribed by the Securities and Exchange Commission (“SEC”).
 12 FINRA also has specific recordkeeping rules for companies such as Robinhood. The records
 13 Robinhood is required to keep, include but are not limited to, communications relating to their
 14 “business as such,” customer account ledgers, securities records, order tickets, and trade
 15 confirmations.⁴⁷

16 76. Additionally, under federal and state securities laws, securities industry rules, and
 17 industry best practices, brokerage firms that offer online trading services to their customers are
 18 required to, among other things, ensure that customers receive the best execution of trades and that
 19 the firm has adequate operational capability to handle customer trading volume. As far back as
 20 September 9, 1998, the U.S. Securities and Exchange Commission (“SEC”) issued Staff Legal
 21 Bulletin No. 8, after widespread brokerage firm outages and trading delays that had occurred in
 22 October 1997. Among other admonishments, the SEC warned firms that:

23 Because broker-dealers are becoming increasingly reliant on technology to perform
 24 trading functions and to route customer orders to markets, these problems could be
 25 more severe during future periods of high trading volume. Broker-dealers therefore
 need to take steps to prevent their operational systems from being overwhelmed by
 periodic spikes in systems message traffic due to high volume. In particular, broker-

26 ⁴⁶ Graham Rapier, *Robinhood had to install protective glass after frustrated traders kept showing*
 27 *up at its office*, Business Insider (July 10, 2020) [https://www.businessinsider.com/robinhood-](https://www.businessinsider.com/robinhood-office-installed-bulletproof-glass-after-frustrated-traders-visited-report-2020-7)
 office-installed-bulletproof-glass-after-frustrated-traders-visited-report-2020-7 (last visited Aug.
 19, 2020).

28 ⁴⁷ See <https://www.finra.org/rules-guidance/key-topics/books-records> (last visited Aug. 19, 2020).

1 dealers should not merely have sufficient systems capacity to handle average-to-
2 heavy loads. Rather, broker-dealers should have the systems capacity to handle
exceptional loads of several times the average trading volume.⁴⁸

3 77. Brokerage firms were also reminded of these requirements by the National
4 Association of Securities Dealers (“NASD”), a self-regulatory organization that supervised broker-
5 dealers like Robinhood, in a 1999 Notice to Members (“NTM”) 99-11, which stated that: “First
6 and foremost, NASD Regulation reminds member firms of their obligations under [SEC] Staff
7 Legal Bulletin No. 8 to ensure that they have adequate systems capacity to handle high volume or
8 high volatility trading days.”⁴⁹

9 78. Currently, FINRA, which superseded the NASD, and now governs brokers like
10 Robinhood, espouses rule 5310 regarding “Best Execution and Interpositioning.” Rule 5310.01
11 requires that Robinhood “must make every effort to execute a marketable customer order that it
12 receives promptly and fully.” By failing to respond at all to customers’ placing timely trades, and
13 in fact, preventing them from doing so altogether, Robinhood has breached these obligations and
14 caused its customers substantial losses due solely to its own negligence and failure to maintain
15 adequate infrastructure.

16 79. In addition to best execution, Robinhood has a duty to develop, design, test, and
17 monitor its services; and to create and maintain a written business continuity plan identifying
18 procedure relating to an emergency or significant business disruption. Such procedures must be
19 reasonably designed to enable the company to meet its existing obligations to customers during an
20 emergency, such as an outage. Indeed, FINRA Rule 4370 requires such a business continuity plan
21 to, at minimum, address “mission critical systems.” These systems are defined as “any system that
22 is necessary, depending on the nature of a member's business, to ensure prompt and accurate
23 processing of securities transactions, including, but not limited to, order taking, order entry,
24 execution, comparison, allocation, clearance and settlement of securities transactions, the
25 maintenance of customer accounts, access to customer accounts and the delivery of funds and
26 securities.” FINRA Rule 4370(g)(1).

27 _____
48 Available at: <https://www.sec.gov/interps/legal/slbmr8.htm> (last visited Aug. 19, 2020).

28 49 Available at: <https://www.finra.org/rules-guidance/notices/99-11> (last visited Aug. 19, 2020).

1 80. Robinhood’s written business continuity plan that was in place at the time of the
2 March Outages, attached as **Exhibit A** was a one-page document with a section entitled “contact
3 us” where Robinhood provided the following:

4 If after a significant business disruption you cannot contact us as you usually do
5 through our website robinhood.com or through our mobile applications, you should
6 call our emergency number in Menlo Park, CA at (844) 428-5411 or submit a ticket
at support.robinhood.com.

7 However, during the Outages and since, there was no way to get in touch with a live person, and
8 the phone number provided was useless. Nevertheless, during the Outages, many Plaintiffs and
9 Class members attempted to seek support by calling the number provided by Robinhood, with no
10 success whatsoever. Plaintiffs also attempted to contact support.robinhood.com, again to no avail.
11 Emails were not responded to at all, or not for several days until long after the Outages had done
12 their damage. Additionally, during the Outages, attempts to contact Robinhood through its website
13 at robinhood.com were also futile as the website was completely down for the duration of the
14 Outages. Following the Outages, employees at Robinhood confirmed that the Company did not
15 offer any phone support.

16 81. Since the Outages, Robinhood has modified its business continuity plan—notably,
17 the phone number has now been removed and there are no references to phone support.⁵⁰
18 Robinhood also deleted the following assurance:

19 Our business continuity plan addresses: data back-up and recovery; all mission
20 critical systems; financial and operational assessments; alternative communications
21 with customers, employees, and regulators; alternate physical location of
22 employees; critical supplier, contractor, bank and counter-party impact; regulatory
23 reporting; and assuring our customers prompt access to their funds and securities if
24 we are unable to continue our business. As an on-line broker-dealer, it also addresses
the recovery of technology systems. In general, our technology systems are cloud-
hosted and at separate locations. This design ensures that if one of our locations
suffers a disruption in service, systems at an alternate location can be used to
continue to provide service.

25 82. Robinhood’s failure to have a proper business continuity plan, or any backup plan

26 ⁵⁰ See current version of Robinhood Financial and Robinhood Securities Business Continuity
27 Plan Summary, available at
28 <https://cdn.robinhood.com/assets/robinhood/legal/RHS%20RHF%20Business%20Continuity%20Plan.pdf> (last visited Aug. 19, 2020).

1 whatsoever, was solely attributable to its own negligence. Additionally, by failing to timely execute
 2 trades during the Outages, Robinhood violated FINRA Rule 2232 by failing to maintain accurate
 3 records of accounts and trade confirmations (including attempted trades), and Rule 3120, by failing
 4 to have a sufficient supervisory system to gain compliance with regulatory laws.

5 83. Robinhood has a history of breaching its legal obligations. Just a few months before
 6 the outage, on December 19, 2019, FINRA announced it fined Defendant Robinhood Financial
 7 \$1.25 million for best execution violations related to its customers' equity orders and related
 8 supervisory failures that spanned from October 2016 to November 2017.⁵¹ As part of the findings,
 9 FINRA found that despite requirements to do so, Robinhood "did not have written procedures
 10 related to or addressing how it performed its 'regular and rigorous' reviews or reviewed non-
 11 marketable orders for best execution purposes." As part of the settlement, Robinhood agreed to
 12 retain an independent consultant to conduct a comprehensive review of the firm's systems and
 13 procedures related to best execution.⁵²

14 84. Additionally, Robinhood has a history of failing to provide adequate service to its
 15 customers, particularly those engaged in options trading. For example, a similar service outage
 16 occurred on April 14, 2016, where users were unable to trade securities for an extended period and
 17 their portfolios failed to accurately reflect their holdings.⁵³ And in December 2018,
 18 customers trading in options faced comparable outages and incurred significant trading losses,
 19 similar to those affected during the Class Period.⁵⁴ Again, in October of 2019, Robinhood suffered
 20 multiple days of systemwide failures and outages.⁵⁵

21 85. Despite those prior problems, Robinhood failed to remedy the flaws in its systems.

22 ⁵¹ See [https://www.finra.org/media-center/newsreleases/2019/finra-fines-robinhood-financial-llc-
 23 125-million-best-execution](https://www.finra.org/media-center/newsreleases/2019/finra-fines-robinhood-financial-llc-125-million-best-execution) (last visited Aug. 19, 2020).

⁵² *Id.* at 6.

24 ⁵³ Lucinda Shen, *A Glitch on This Stock Trading App Made Users Think They'd Lost Thousands
 25 of Dollars*, Yahoo Finance (April 14, 2020) [https://in.finance.yahoo.com/news/glitch-stock-
 26 trading-app-made-192505186.html](https://in.finance.yahoo.com/news/glitch-stock-trading-app-made-192505186.html) (last visited Aug. 19, 2020).

27 ⁵⁴ Dan DeFrancesco, *Robinhood's options trading stopped working, and customers are
 28 furious over the money they say they lost*, Business Insider (Dec. 13, 2018),
[https://www.businessinsider.com/robinhoods-options-trading-shutdown-and-customers-are-
 furious-2018-12](https://www.businessinsider.com/robinhoods-options-trading-shutdown-and-customers-are-furious-2018-12) (last visited Aug. 19, 2020).

⁵⁵ See <https://status.robinhood.com/history?page=4>. (last visited Aug. 19, 2020).

1 **PLAINTIFFS' EXPERIENCES**

2 **Plaintiff Beckman**

3 86. Plaintiff Beckman is a customer of Robinhood and entered into a Customer
4 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

5 87. Plaintiff Beckman subscribed to Robinhood's Gold.

6 88. On March 2, 2020, Plaintiff Beckman attempted to trade options, however, he was
7 prevented from making those trades as a result of the Outage.

8 89. Plaintiff Beckman attempted to contact Robinhood customer support but only
9 received unhelpful boilerplate responses or no response at all.

10 90. As a result of the Outages, Plaintiff Beckman estimates his losses are in excess of
11 \$10,000.

12 **Plaintiff Gwaltney**

13 91. Plaintiff Gwaltney is a customer of Robinhood and entered into a Customer
14 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

15 92. Plaintiff Gwaltney subscribes to Robinhood's Gold.

16 93. On March 2, 2020, Plaintiff Gwaltney attempted to make trades, however, he was
17 prevented from making those trades as a result of the Outage.

18 94. On March 3, 2020, Plaintiff Gwaltney attempted to make trades, however, he was
19 prevented from making those trades as a result of the Outage.

20 95. On March 9, 2020, Plaintiff Gwaltney attempted to make trades, however, he was
21 prevented from making those trades as a result of the Outage.

22 96. Plaintiff Gwaltney attempted to contact Robinhood customer support but only
23 received unhelpful boilerplate responses or no response at all.

24 97. As a result of the Outages, Plaintiff Gwaltney estimates his losses are in excess of
25 \$10,000.

26 **Plaintiff Jones**

27 98. Plaintiff Jones is a customer of Robinhood and entered into a Customer
28 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

1 99. Plaintiff Jones subscribes to Robinhood's Gold.

2 100. On March 2, 2020, Plaintiff Jones attempted to make trades, however, she was
3 prevented from making those trades as a result of the Outage.

4 101. Plaintiff Jones attempted to contact Robinhood customer support but only received
5 unhelpful boilerplate responses or no response at all.

6 102. As a result of the Outages, Plaintiff Jones estimates her losses are in excess of
7 \$1,500.

8 **Plaintiff Kuri**

9 103. Plaintiff Kuri is a customer of Robinhood and entered into a Customer
10 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

11 104. On March 2, 2020, Plaintiff Kuri attempted to exercise options and make trades,
12 however, she was prevented from making those trades as a result of the Outage.

13 105. On March 3, 2020, Plaintiff Kuri attempted to exercise options and make trades,
14 however, she was prevented from making those trades as a result of the Outage.

15 106. Plaintiff Kuri attempted to contact Robinhood customer support but only received
16 unhelpful boilerplate responses or no response at all.

17 107. As a result of the Outages, Plaintiff Kuri estimates her losses are in excess of \$3,000.

18 **Plaintiff Leith**

19 108. Plaintiff Leith is a customer of Robinhood and entered into a Customer
20 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

21 109. Plaintiff Leith subscribes to Robinhood's Gold.

22 110. On March 2, 2020, Plaintiff Leith attempted to exercise options, however, he was
23 prevented from making those trades as a result of the Outage.

24 111. On March 3, 2020, Plaintiff Leith attempted to make trades, however, he was
25 prevented from making those trades as a result of the Outage.

26 112. On March 9, 2020, Plaintiff Leith attempted to make trades, however, he was
27 prevented from making those trades as a result of the Outage.

28 113. Plaintiff Leith attempted to contact Robinhood customer support but only received

1 unhelpful boilerplate responses or no response at all.

2 114. As a result of the Outages, Plaintiff Leith estimates his losses are in excess of \$7,500.

3 **Plaintiff Mahrouyan**

4 115. Plaintiff Mahrouyan is a customer of Robinhood and entered into a Customer
5 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

6 116. Plaintiff Mahrouyan subscribes to Robinhood's Gold.

7 117. On March 2, 2020, Plaintiff Mahrouyan attempted to trade options, however, he was
8 prevented from making those trades as a result of the Outage.

9 118. On March 3, 2020, Plaintiff Mahrouyan attempted to trade options, however, he was
10 prevented from making those trades as a result of the Outage.

11 119. On March 9, 2020, Plaintiff Mahrouyan attempted to trade options, however, he was
12 prevented from making those trades as a result of the Outage.

13 120. Plaintiff Mahrouyan attempted to contact Robinhood customer support but only
14 received unhelpful boilerplate responses or no response at all.

15 121. As a result of the Outages, Plaintiff Mahrouyan estimates his losses are in excess of
16 \$50,000.

17 **Plaintiff Moghadam**

18 122. Plaintiff Moghadamis a customer of Robinhood and entered into a Customer
19 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

20 123. Plaintiff Moghadam subscribes to Robinhood's Gold.

21 124. On March 2, 2020, Plaintiff Moghadam attempted to make trades, however, he was
22 prevented from making those trades as a result of the Outage.

23 125. On March 9, 2020, Plaintiff Moghadam attempted to make trades, however, he was
24 prevented from making those trades as a result of the Outage.

25 126. As a result of the Outages, Plaintiff Moghadam estimates his losses are in excess of
26 \$20,000.

27 127. Moreover, as a result of the losses due to the Outages, Plaintiff Moghadam account
28 value fell far below \$25,000, which is the minimum amount required for day trading. As a result,

1 Plaintiff Moghadam had to borrow from and pay interest to a lender to reach the minimum for day
2 trading, which resulted in further losses.

3 **Plaintiff Morey**

4 128. Plaintiff Morey is a customer of Robinhood and entered into a Customer Agreement,
5 as discussed further below, in order to use Robinhood's online trading systems.

6 129. Plaintiff Morey subscribes to Robinhood's Gold.

7 130. On March 2, 2020, Plaintiff Morey attempted to make trades, however, he was
8 prevented from making those trades as a result of the Outage.

9 131. On March 3, 2020, Plaintiff Morey attempted to make trades, however, he was
10 prevented from making those trades as a result of the Outage.

11 132. On March 9, 2020, Plaintiff Morey attempted to make trades, however, he was
12 prevented from making those trades as a result of the Outage.

13 133. Plaintiff Morey attempted to contact Robinhood customer support but only received
14 unhelpful boilerplate responses or no response at all.

15 134. As a result of the Outages, Plaintiff Morey estimates his losses are in excess of
16 \$10,000.

17 **Plaintiff Prendergast**

18 135. Plaintiff Prendergast is a customer of Robinhood and entered into a Customer
19 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

20 136. On March 2, 2020, Plaintiff Prendergast attempted to exercise options, however, he
21 was prevented from making those trades as a result of the Outage.

22 137. Plaintiff Prendergast attempted to contact Robinhood customer support but only
23 received unhelpful boilerplate responses or no response at all.

24 138. As a result of the Outages, Plaintiff Prendergast estimates his losses are in excess of
25 \$30,000.

26 **Plaintiff Rao**

27 139. Plaintiff Rao is a customer of Robinhood and entered into a Customer Agreement,
28 as discussed further below, in order to use Robinhood's online trading systems.

1 140. Plaintiff Rao subscribes to Robinhood's Gold.

2 141. On March 2, 2020, Plaintiff Rao attempted to place trades, however, he was
3 prevented from making those trades as a result of the Outage.

4 142. Plaintiff Rao attempted to contact Robinhood customer support but only received
5 unhelpful boilerplate responses or no response at all.

6 143. As a result of the Outages, Plaintiff Rao estimates his losses are in excess of \$49,000.

7 144. As a consequence of Plaintiff Rao's losses due to the Outage, Robinhood forcibly
8 liquidated some of Plaintiff Rao's positions due to a margin call. Plaintiff Rao suffered significant
9 losses as a result.

10 **Plaintiff Riggs**

11 145. Plaintiff Riggs is a customer of Robinhood and entered into a Customer Agreement,
12 as discussed further below, in order to use Robinhood's online trading systems.

13 146. On March 2, 2020, Plaintiff Riggs attempted to make trades, however, he was
14 prevented from making those trades as a result of the Outage.

15 147. Plaintiff Riggs attempted to contact Robinhood customer support but only received
16 unhelpful boilerplate responses or no response at all.

17 148. As a result of the Outages, Plaintiff Riggs estimates his losses are in excess of
18 \$10,000.

19 **Plaintiff Russell**

20 149. Plaintiff Russell is a customer of Robinhood and entered into a Customer
21 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

22 150. On March 2, 2020, Plaintiff Russell attempted to make trades, however, he was
23 prevented from making those trades as a result of the Outage.

24 151. On March 3, 2020, Plaintiff Russell attempted to make trades, however, he was
25 prevented from making those trades as a result of the Outage.

26 152. As a result of the Outages, Plaintiff Russell estimates his losses are in excess of
27 \$1,000.

28 **Plaintiff Steinberg**

1 153. Plaintiff Steinberg is a customer of Robinhood and entered into a Customer
2 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

3 154. Plaintiff Steinberg subscribes to Robinhood's Gold.

4 155. On March 2, 2020, Plaintiff Steinberg attempted to trade options, however, he was
5 prevented from making those trades as a result of the Outage.

6 156. On March 3, 2020, Plaintiff Steinberg attempted to trade options, however, he was
7 prevented from making those trades as a result of the Outage.

8 157. Plaintiff Steinberg attempted to contact Robinhood customer support but only
9 received unhelpful boilerplate responses or no response at all.

10 158. As a result of the Outages, Plaintiff Steinberg estimates his losses are in excess of
11 \$1,000.

12 **Plaintiff Ward**

13 159. Plaintiff Ward is a customer of Robinhood and entered into a Customer
14 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

15 160. On March 2, 2020, Plaintiff Ward attempted to make trades, however, he was
16 prevented from making those trades as a result of the Outage.

17 161. On March 3, 2020, Plaintiff Ward attempted to make trades, however, he was
18 prevented from making those trades as a result of the Outage.

19 162. Plaintiff Ward attempted to contact Robinhood customer support but only received
20 unhelpful boilerplate responses or no response at all.

21 163. As a result of the Outages, Plaintiff Ward estimates his losses are in excess of
22 \$15,000.

23 **Plaintiff Xia**

24 164. Plaintiff Xia is a customer of Robinhood and entered into a Customer
25 Agreement, as discussed further below, in order to use Robinhood's online trading systems.

26 165. On March 2, 2020, Plaintiff Xia attempted to make trades, however, she was
27 prevented from making those trades as a result of the Outage.

28 166. On March 3, 2020, Plaintiff Xia attempted to make trades, however, she was

1 prevented from making those trades as a result of the Outage.

2 167. Plaintiff Xia attempted to contact Robinhood customer support but only received
3 unhelpful boilerplate responses or no response at all.

4 168. As a result of the Outages, Plaintiff Xia estimates her losses are in excess of \$15,000.

5 **CLASS ACTION ALLEGATIONS**

6 169. Plaintiffs bring claims pursuant to Federal Rule of Civil Procedure 23 on behalf of
7 the following Class, as defined below:

8 All Robinhood customers within the United States.⁵⁶

9 170. Additionally, or in the alternative, Plaintiffs may also bring claims pursuant to
10 Federal Rule of Civil Procedure 23 on behalf of the following Subclasses, as defined below:

11 **Gold Subclass:** All Robinhood customers within the United States
12 who were subscribers to Robinhood’s Gold membership service during the
13 Outages.

14 **Options Subclass:** All Robinhood customers within the United States
15 who owned a position in an option contract during the Outages.

16 **Margin Subclass:** All Robinhood customers within the United States
17 who had margin accounts during the Outages.

18 171. Excluded from the Class⁵⁷ are the Robinhood entities and their current employees,
19 counsel for either party as well as their immediate families, as well as the Court and its personnel
20 presiding over this action.

21 172. This action has been brought and may properly be maintained as a class action
22 against Robinhood pursuant to the provisions of Federal Rule of Civil Procedure 23.

23 173. **Numerosity**: The precise number of members of the proposed Class is unknown to
24 Plaintiffs at this time, but, based on information and belief, Class members are so numerous that
25 their individual joinder herein is impracticable. Based on information and belief and publicly

26 ⁵⁶ The “Class Period” for each claim is provisionally intended to be the respective statute of
27 limitations for each claim, with Plaintiff reserving the right to invoke the equitable tolling
28 doctrine based on the discovery rule or other bases as discovery and the case progresses.

⁵⁷ The term “Class” as used throughout includes both the Class and Subclasses unless otherwise
specified.

1 available reports, Class members number in the hundreds of thousands and likely are many million.
 2 Subclass members are likely in the tens or hundreds of thousands. All Class members may be
 3 notified of the pendency of this action by reference to Robinhood's records, publication notice, or
 4 by other alternative means.

5 174. **Commonality**: Numerous questions of law or fact are common to the claims of
 6 Plaintiffs and members of the proposed Class. These common questions of law and fact exist as to
 7 all Class members and predominate over questions affecting only individual Class members. These
 8 common legal and factual questions include, but are not limited to the following:

- 9 a. How and why the Outages occurred;
- 10 b. Whether Robinhood's infrastructure was adequate;
- 11 c. Whether Robinhood maintained adequate business continuation and contingency
 12 plans to provide financial services during the Outages;
- 13 d. Whether Robinhood complied with its legal, regulatory, and licensing requirements;
- 14 e. Whether Robinhood's conduct is governed by California law;
- 15 f. Whether Robinhood's conduct in connection with the Outages was negligent (or
 16 grossly negligent);
- 17 g. Whether Robinhood breached its fiduciary duties to Plaintiffs and Class members;
- 18 h. Whether Robinhood has breached (and continues to breach) its contracts with
 19 Robinhood customers and/or the implied covenant of good faith and fair dealing;
- 20 i. Whether Robinhood's conduct violates California's Unfair Competition Law, Bus.
 21 & Prof. Code Section 17200, *et seq.*;
- 22 j. Whether Robinhood was unjustly enriched by its conduct;
- 23 k. Whether Plaintiffs and the other Class members were injured by Robinhood's
 24 conduct, and if so, the appropriate measure of damages, restitution, disgorgement
 25 and other monetary relief; and
- 26 l. Whether Plaintiffs and the other Class members are entitled to injunctive and
 27 declaratory relief.

28 175. **Typicality**: The claims of the named Plaintiffs are typical of the claims of the

1 proposed Class in that the named Plaintiffs were all Robinhood customers during the Outages, have
2 sustained damages and other harms as a result of the Outages, and are at continuing risk of further
3 harm due to Robinhood's conduct.

4 176. **Adequate Representation**: Plaintiffs will fairly and adequately represent the
5 interests of the Class in that they have no conflicts with any other Class members. Plaintiffs have
6 retained competent counsel experienced in prosecuting complex class actions, including those
7 involving technology and financial services, and they will vigorously litigate this class action.

8 177. **Predominance and Superiority**: There is no plain, speedy, or adequate remedy
9 other than by maintenance of this class action. A class action is superior to other available means,
10 if any, for the fair and efficient adjudication of this controversy. Prosecution of separate actions by
11 individual Class members would create the risk of inconsistent or varying adjudications,
12 establishing incompatible standards of conduct for the Defendant. Additionally, given the amount
13 of damages sustained by most individual Class members, few proposed Class members could or
14 would sustain the economic burden of pursuing individual remedies for Robinhood's wrongful
15 conduct. Treatment as a class action will achieve substantial economies of time, effort, and expense,
16 and provide comprehensive and uniform supervision by a single court. This class action presents
17 no material difficulties in management.

18 178. Class certification is warranted under Fed. R. Civ P. 23(b)(1)(A) because the
19 prosecution of separate actions by individual members of the proposed Class would create a risk of
20 inconsistent or varying adjudications with respect to individual Class members, which may produce
21 incompatible standards of conduct for Robinhood.

22 179. Class certification is warranted under Fed. R. Civ P. 23(b)(1)(B) because the
23 prosecution of separate actions by individual members of the proposed Class would create a risk of
24 adjudications with respect to individual Class members which may, as a practical matter, be
25 dispositive of the interests of the other members not parties to the adjudications or substantially
26 impair or impede their ability to protect their interests.

27 180. The prerequisites to maintaining a class action for injunctive or equitable relief
28 pursuant to Fed. R. Civ. P. 23(b)(2) are met as Robinhood has acted or refused to act on grounds

1 generally applicable to the Class, thereby making final injunctive, declaratory, or equitable relief
2 appropriate with respect to the Class as a whole.

3 181. Class certification is also warranted under Fed. R. Civ P. 23(b)(3) because questions
4 of law or fact common to the Class members predominate over any questions affecting only
5 individual members, and a Class action is superior to other available remedies for the fair and
6 efficient adjudication of this controversy. The amount of damages available to the individual
7 Plaintiffs is insufficient to make litigation addressing Robinhood's conduct economically feasible
8 for most in the absence of the class action procedure. Individualized litigation also presents a
9 potential for inconsistent or contradictory judgments, and increases the delay and expense to all
10 parties and the court system presented by the legal and factual issues of the case. By contrast, the
11 class action device presents far fewer management difficulties and provides the benefits of a single
12 adjudication, economy of scale, and comprehensive supervision by a single court.

13 182. Class certification is also warranted under Fed. R. Civ P. 23(c)(4) because questions
14 of law or fact common to the Class members may be certified and decided by this Court on a class
15 wide basis. As indicated above, subclasses pursuant to Fed. R. Civ. P. 23(c)(5) may be warranted.

16 **CLAIMS FOR RELIEF⁵⁸**

17 **COUNT I**

18 **Negligence**

19 183. Plaintiffs hereby incorporate by reference the factual allegations contained herein.

20 184. As a provider of financial services and registered securities investment broker-
21 dealer, Robinhood had a duty to exercise reasonable care, skill, and ability in conducting and
22 facilitating financial services and transactions for its customers.

23 185. Robinhood unlawfully breached its duties by, among other things, failing to
24 maintain a reliably functioning electronic trading platform with sufficient operating capability and
25 adequate infrastructure to process customer transactions, including during volatile and high-volume
26 trading sessions; by failing to adequately design, test, and monitor its infrastructure necessary to
27 timely process customers' transactions; by failing to provide timely access to trading services

28 ⁵⁸ All Counts are alleged against each Defendant unless otherwise specified.

1 during the Outages; by failing to timely process securities trades, including taking orders, entering
2 orders, and executing orders; by failing to keep records of trades (including attempted trades); by
3 failing to provide timely access to customers' accounts, securities and funds; by failing to have a
4 supervisory control system that would have identified and prevented the Outages; by failing to have
5 adequate business contingency and continuity plans to ensure timely service in the event of an
6 outage; by failing to have any back-up plans to receive and process customers' orders during the
7 Outages; by having no adequate means for customers to get assistance during the Outages; by
8 failing to comply with applicable legal regulatory requirements and industry standards of care,
9 including those set by FINRA and its predecessor authorities; and by making unauthorized
10 transactions on customers' accounts.

11 186. As set forth below, Robinhood's conduct was so want of even scant care that its acts
12 and omissions were and continue to be an extreme departure from the ordinary standard of conduct,
13 rendering Robinhood not just negligent, but grossly negligent.

14 187. Robinhood's negligence and breaches of its duties owed to Plaintiffs and Class
15 members proximately caused losses and damages that would not have occurred but for Robinhood's
16 breach of its duty of due care. These losses reflect damages to Plaintiffs and Class members in an
17 amount to be determined at trial.

18 COUNT II

19 **Gross Negligence**

20 188. Plaintiffs hereby incorporate by reference the factual allegations contained herein.

21 189. As a provider of financial services and registered securities investment broker-
22 dealer, Robinhood had a duty to exercise reasonable care, skill, and ability in conducting and
23 facilitating financial services and transactions for its customers.

24 190. Robinhood unlawfully breached its duties by, among other things, failing to
25 maintain a reliably functioning electronic trading platform with sufficient operating capability and
26 adequate infrastructure to process customer transactions, including during volatile and high-volume
27 trading sessions; by failing to adequately design, test, and monitor its infrastructure necessary to
28 timely process customers' transactions; by failing to provide timely access to trading services

1 during the Outages; by failing to timely process securities trades, including taking orders, entering
2 orders, and executing orders; by failing to keep records of trades (including attempted trades); by
3 failing to provide timely access to customers' accounts, securities and funds; by failing to have a
4 supervisory control system that would have identified and prevented the Outages; by failing to have
5 adequate business contingency and continuity plans to ensure timely service in the event of an
6 outage; by failing to have any back-up plans to receive and process customers' orders during the
7 Outages; by having no adequate means for customers to get assistance during the Outages; by
8 failing to comply with applicable legal regulatory requirements and industry standards of care,
9 including those set by FINRA and its predecessor authorities; and by making unauthorized
10 transactions on customers' accounts.

11 191. Robinhood's conduct as set forth in this Complaint was want of even scant care and
12 its acts and omissions were and continue to be an extreme departure from the ordinary standard of
13 conduct. Indeed, Robinhood essentially abandoned its customers altogether during the Outages, a
14 standard of care so far below what is required for business engaging in time sensitive financial
15 services that it amounts to a complete abandonment of its duties. Moreover, Robinhood continues
16 to experience regular outages which indicates that it has failed to implement adequate
17 infrastructure, is still not compliant with applicable regulatory authorities, still has no meaningful
18 business contingency or continuity plan, and still has no backup system for customers to access
19 their accounts and execute timely transactions and trades. Robinhood's reckless disregard for its
20 customers continues to fall so far below the standard of care required of it that it constitutes gross
21 negligence.

22 192. Robinhood's gross negligence and breaches of its duties owed to Plaintiffs and Class
23 members proximately caused their losses and damages that they would not have occurred but for
24 Robinhood's gross breaches of its duty of due care. These losses reflect damages to Plaintiffs and
25 Class members in an amount to be determined at trial.

26 **COUNT III**

27 **Breach of Fiduciary Duty**

28 193. Plaintiffs hereby incorporate by reference the factual allegations contained herein.

1 194. As a provider of financial services and a registered securities investment broker-
2 dealer, at all times relevant herein Robinhood was a fiduciary to Plaintiffs and Class members and
3 owed them the highest good faith and integrity in performing its financial services and acting as a
4 securities broker-dealer on their behalf. As a broker-dealer, Robinhood provides securities trading
5 services by taking, entering, and executing orders, provides information and advice to customers
6 on investments and investment strategies (although it disclaims doing so), and even executes
7 transactions within their accounts when not specifically requested by investors.

8 195. Robinhood also maintains discretionary control over customer accounts as
9 commemorated in its Customer Agreement, and takes commissions for exercising such
10 discretionary actions (attached as **Exhibits B, C & D**):

11 Robinhood may, but are not obligated to, notify Me of any upcoming expiration or
12 redemption dates, or take any action on My behalf without My specific instructions
13 except as required by law and the rules of regulatory authorities. I acknowledge that
14 Robinhood may adjust My Account to correct any error. If My Account has an
15 option position on the last trading day prior to expiration, which is one cent or more
16 in the money, Robinhood Financial will generally exercise the option, on My behalf.
17 However, Robinhood Financial reserves the right at Its discretion to close any option
18 position prior to expiration date or any position resulting from the
19 exercising/assignment after option expiration. I will be charged a commission for
20 any such transaction.

21 Robinhood also may “in its sole discretion” buy or sell securities and liquidate accounts in any
22 circumstance, whatsoever, “including, but not limited to” certain enumerated events such as having
23 insufficient funds. Accordingly, Robinhood expressly assumes all the fiduciary responsibilities
24 associated with its retention of discretion to exercise trades and other transactions with or without
25 customer direction.

26 196. Additionally, because Robinhood provides securities trading services through web
27 and app-based services, it maintains a specific fiduciary duty to ensure such web and app-based
28 services are fundamentally reliable and unlikely to malfunction and cause their customers harm and
damages, particularly when Robinhood also does not maintain adequate infrastructure and back-up
services or other means to take timely actions on accounts in the event of an outage.

 197. Robinhood breached its fiduciary duties to Plaintiffs and Class members by, among

1 other things, failing to maintain a reliably functioning electronic trading platform with sufficient
 2 operating capability and adequate infrastructure to process customer transactions, including during
 3 volatile and high-volume trading sessions; by failing to adequately design, test, and monitor its
 4 infrastructure necessary to timely process customers' transactions; by failing to provide timely
 5 access to trading services during the Outages; by failing to timely process securities trades,
 6 including taking orders, entering orders, and executing orders; by failing to keep records of trades
 7 (including attempted trades); by failing to provide timely access to customers' accounts, securities
 8 and funds; by failing to have a supervisory control system that would have identified and prevented
 9 the Outages; by failing to have adequate business contingency and continuity plans to ensure timely
 10 service in the event of an outage; by failing to have any back-up plans to receive and process
 11 customers' orders during the Outages; by having no adequate means for customers to get assistance
 12 during the Outages; by failing to comply with applicable legal regulatory requirements and industry
 13 standards of care, including those set by FINRA and its predecessor authorities; and by making
 14 unauthorized transactions on customers' accounts.

15 198. Robinhood's conduct has caused Plaintiffs' and Class members' harm, losses, and
 16 damages and continues to expose them to harm because Robinhood continues to breach its fiduciary
 17 duties. These losses reflect damages to Plaintiffs and Class members in an amount to be determined
 18 at trial.

19 COUNT IV

20 **Breach of Contract**

21 **(Alleged solely against Defendants Robinhood Financial and Robinhood Securities)**

22 199. Plaintiffs hereby incorporate by reference the factual allegations contained herein.

23 200. In order to use the Robinhood trading platform, a potential customer must enter into
 24 the Customer Agreement with Robinhood. The operative Customer Agreement at the time of the
 25 Outages, is attached as **Exhibit B**. Since the Outages, Robinhood has twice amended the operative
 26 Customer Agreement. The April 28, 2020 Customer Agreement is attached as **Exhibit C** and the
 27 June 22, 2020 Customer Agreement is attached as **Exhibit D**. Each of these Customer Agreements
 28 mandates that Robinhood's accounts and trading activities will be subject to all applicable state and

1 federal laws and regulations, including those set by self-regulatory organizations. *See, e.g.*, Ex. B
2 at ¶ 11. Each Customer Agreement also selects California choice of law to apply. *Id.* at ¶ 36.
3 Additionally, Robinhood's customers who are Gold members are subject to the Gold User
4 Agreement attached as **Exhibit E**, Robinhood's customers who trade on margin are subject to the
5 Margin and Short Account Agreement attached as **Exhibit F**, and Robinhood's customers who
6 trade options are subject to the Options Agreement attached as **Exhibit G**. Most of the contracts
7 expressly refer and incorporate each others' terms by reference, including by hyperlink. *See, e.g.*,
8 **Exhibit F**, at p. 7, ¶ 17. All Robinhood customers are also subject to the Robinhood Terms &
9 Conditions, a copy of which is attached as **Exhibit H**, and Robinhood's Business Continuity Plan
10 Summary is attached as **Exhibit I**. Each of these standardized agreements are contracts of adhesion
11 that are imposed on Robinhood's customers as conditions of use and are not subject to negotiation.

12 201. Robinhood furnished consideration to Plaintiffs and Class members in the form of
13 access to Robinhood's online trading platform, enabling them to trade securities and options listed
14 on U.S. securities exchanges. In exchange, Robinhood received consideration from Plaintiff and
15 Class members including, but not limited to, order flow data, which it sold to market makers to
16 generate revenue, interest generated on cash balances in accounts, commissions and fees based on
17 trades placed, interest on margin extensions, and fees for Gold Membership access.

18 202. Robinhood breached its contracts with customers by failing to perform under the
19 contracts entirely, and by, among other things, failing to maintain a reliably functioning electronic
20 trading platform with sufficient operating capability and adequate infrastructure to process
21 customer transactions, including during volatile and high-volume trading sessions; by failing to
22 adequately design, test, and monitor its infrastructure necessary to timely process customers'
23 transactions; by failing to provide timely access to trading services during the Outages; by failing
24 to timely process securities trades, including taking orders, entering orders, and executing orders;
25 by failing to keep records of trades (including attempted trades); by failing to provide timely access
26 to customers' accounts, securities and funds; by failing to have a supervisory control system that
27 would have identified and prevented the Outages; by failing to have adequate business contingency
28 and continuity plans to ensure timely service in the event of an outage; by failing to have any back-

1 up plans to receive and process customers' orders during the Outages; by having no adequate means
 2 for customers to get assistance during the Outages; by failing to comply with applicable legal
 3 regulatory requirements and industry standards of care, including those set by FINRA and its
 4 predecessor authorities; and by making unauthorized transactions on customers' accounts.

5 203. Robinhood's Customer Agreement purports to limit liability for "temporary" service
 6 interruptions due to events like maintenance, but it specifically distinguishes that purported
 7 limitation of liability from the circumstances that led to the lengthy Outages which were attributable
 8 solely to Robinhood's conduct: "I agree that Robinhood will not be responsible for temporary
 9 interruptions in service due to maintenance, Website or App changes, or failures, nor shall
 10 Robinhood be liable for extended interruptions due to failures beyond our control, including but
 11 not limited to the failure of interconnecting and operating systems, computer viruses, forces of
 12 nature, labor disputes and armed conflicts." *See, e.g.*, Ex. B at ¶ 17. As Robinhood admitted both
 13 during and after the extended Outages, they were not attributable to "failures beyond our control"
 14 but the lack of adequate infrastructure, foresight, and planning. The Outages at issue in this case
 15 were foreseeable and preventable, and in breach of the parties' agreements.

16 204. Robinhood's failure to perform and its breaches of the Customer Agreement and
 17 applicable contracts resulted in damages and losses to Plaintiffs and Class members and continues
 18 to expose them to harm because Robinhood continues to fail to perform under the Customer
 19 Agreement. These losses reflect damages to Plaintiffs and Class members in an amount to be
 20 determined at trial.

21 205. Additionally, because damages may not be a full and complete remedy due to the
 22 ongoing nature of the relationship between the parties and the continuing risk of future harm,
 23 Plaintiffs and Class members seek specific performance of the contracts to ensure Robinhood has
 24 sufficient infrastructure to manage their accounts and trading activity in the future.

25 **COUNT V**

26 **Breach of the Implied Covenant of Good Faith and Fair Dealing**

27 **(Alleged solely against Robinhood Financial and Robinhood Securities)**

28 206. Plaintiffs hereby incorporate by reference the factual allegations contained herein.

1 **Violation of California Unfair Competition Law, Cal. Bus. & Prof. Code §§ 17200, et seq.**

2 211. Plaintiffs hereby incorporate by reference the factual allegations contained herein.

3 212. Robinhood has engaged in unfair competition within the meaning of California
4 Business & Professions Code section 17200, *et seq.*, because Robinhood’s conduct is unlawful and
5 unfair as herein alleged.

6 213. Plaintiffs, the members of the Class, and Robinhood are a “person” or “persons,”
7 within the meaning of Section 17201 of the California Unfair Competition Law (“UCL”).

8 214. The UCL prohibits any unlawful and unfair business practices or acts. Robinhood’s
9 conduct, as alleged herein, constitutes an unlawful and unfair business practice that occurred in
10 connection with the provision of its financial and investment broker services.

11 215. **Unlawful prong:** Robinhood’s conduct, as described within, violated the UCL’s
12 unlawful prong because it: (1) constitutes negligence and/or gross negligence; (2) constitutes a
13 breach of fiduciary duty; (3) constitutes a breach of contract and/or a breach of the implied covenant
14 of good faith and fair dealing; (4) it violated applicable regulatory laws and guidance such as the
15 SEC’s Staff Legal Bulletin No. 8 and the NASD’s Notice to Members (“NTM”) 99-11 that required
16 broker-dealers to have sufficient technological trading capacity over 20 years ago, FINRA Rule
17 2232 by failing to maintain accurate records of accounts and trade confirmations (including
18 attempted trades), Rule 3120, by failing to have a sufficient supervisory system to gain compliance
19 with regulatory laws, Rule 4370 which requires Robinhood to have a contingency plan in the case
20 of emergency or business disruption, and Rule 5310 which requires best execution of orders fully
21 and promptly; and (5) has unlawfully and unjustly enriched Robinhood.

22 216. **Unfair prong:** Robinhood’s conduct, as described within, violated the UCL’s
23 unfair prong because its conduct violates established public policy intended to regulate financial
24 services to consumers, and because it is immoral, unethical, oppressive, or unscrupulous and has
25 caused injuries to the Plaintiffs and the Class that outweigh any purported benefit. The utility of
26 Robinhood’s conduct in failing to maintain and implement adequate infrastructure and by breaching
27 its duties and obligations to Plaintiffs and Class members is far outweighed by the gravity of harm
28 to consumers who have now incurred losses and damages they would not have otherwise.

1 the parties' agreements.

2 **PRAYER FOR RELIEF**

3 **THEREFORE**, Plaintiffs seeks judgment against Robinhood, as follows:

4 A. Certifying the Class and naming Plaintiffs as representatives of the Class and/or
5 Subclasses and Plaintiffs' attorneys as Class Counsel to represent the Class members;

6 B. Finding that Robinhood's conduct violates the statutes and laws referenced herein;

7 C. Finding in favor of Plaintiffs and the Class on all counts asserted herein;

8 D. Granting restitution, disgorgement and other equitable monetary relief to Plaintiffs
9 and the Class;

10 E. Granting declaratory and injunctive relief to enjoin Robinhood from engaging in the
11 unlawful practices described in this Complaint;

12 F. Granting compensatory and/or punitive damages, the amount of which is to be
13 determined at trial;

14 G. Granting pre- and post-judgment interest on all amounts awarded;

15 H. Granting injunctive relief as pleaded or as the Court may deem proper;

16 I. Awarding Plaintiffs and the Class reasonable attorneys' fees and expenses and costs
17 of suit; and

18 J. Granting further relief as this Court may deem proper.

19 **JURY TRIAL DEMAND**

20 Plaintiffs demand a trial by jury on all issues so triable.

21
22
23
24 DATED: June 30, 2021

Respectfully submitted,

25 **KAPLAN FOX & KILSHEIMER LLP**

**COTCHETT, PITRE & MCCARTHY,
LLP**

26 /s/ Matthew B. George
27 Matthew B. George (SBN 239322)
Maia C. Kats (admitted *pro hac vice*)
28 Laurence D. King (SBN 206423)
Mario M. Choi (SBN 243409)

/s/ Anne Marie Murphy
Anne Marie Murphy (SBN 202540)
Mark C. Molumphy (SBN 168009)
Noorjahan Rahman (SBN 330572)

1 1999 Harrison Street, Suite 1560
Oakland, CA 94612
Telephone: 415-772-4700
2 Facsimile: 415-772-4707
3 *mgeorge@kaplanfox.com*
4 *mkats@kaplanfox.com*
lking@kaplanfox.com
mchoi@kaplanfox.com

Tyson C. Redenbarger (SBN 294424)
Julia Peng (SBN 318396)
San Francisco Airport Office Center
840 Malcolm Road, Suite 200
Burlingame, CA 94010
Telephone: (650) 697-6000
Facsimile: (650) 697-0577
amurphy@cpmlegal.com
mmolumphy@cpmlegal.com
nrahman@cpmlegal.com
tredenbarger@cpmlegal.com
jpeng@cpmlegal.com

7 *Co-Lead Interim Class Counsel for Plaintiffs*

8
9 **GIBBS LAW GROUP LLP**

Steve Lopez (SBN 300540)
505 14th Street, Suite 1110
Oakland, California 94612
Telephone: (510) 350-9700
11 Facsimile: (510) 350-9701
12 *sal@classlawgroup.com*

13 *Liaison Counsel for Plaintiffs*

14 **MEYER WILSON**

Courtney M. Werning (admitted *pro hac vice*)
15 Matthew R. Wilson (SBN 290473)
16 Chad Kohler (admitted *pro hac vice*)
17 1320 Dublin Road, Suite 100
Columbus, Ohio 43215
Telephone: (614) 224-6000
Facsimile: (614) 224-6066
18 *cwerning@meyerwilson.com*
19 *mwilson@meyerwilson.com*
ckohler@meyerwilson.com

BEASLEY ALLEN

Leslie Pesca
W. Daniel Miles, III
James Eubank
Leslie L. Pesca
218 Commerce Street
Montgomery, AL 36104
Telephone: (800) 898-2034
Facsimile: (334) 965-7555
leslie.pescia@beasleyallen.com
dee.miles@beasleyallen.com
james.eubank@beasleyallen.com

21 **LITE DePALMA & GREENBERG**

22 Susana Cruz Hodge (admitted *pro hac vice*)
Joseph J. DePalma (admitted *pro hac vice*)
23 Steven J. Greenfogel (admitted *pro hac*
vice)
24 Jeremy Nash (admitted *pro hac vice*)
570 Broad Street, Suite 1201
Newark, NJ 07102
Tel: (973) 623-3000
25 Fax: (973) 623-0858
26 *scrushodge@litedepalma.com*
jdepalma@litedepalma.com
27 *sgreenfogel@litedepalma.com*
28 *jnash@litedepalma.com*

WOLF HALDENSTEIN

Rachele R. Byrd
Brittany N. DeJong
750 B Street, Suite 1820
San Diego, CA 92101
Telephone: 619/239-4599
Facsimile: 619/234-4599
byrd@whafh.com
dejong@whafh.com

1 **CARLSON LYNCH**

2 Jamisen Etzel (admitted *pro hac vice*)
3 Gary F. Lynch (admitted *pro hac vice*)
4 1133 Penn Ave., 5th Floor
5 Pittsburgh, PA 15222
6 Telephone 412-322-9243
7 Facsimile 412-231-0246
8 *glynch@carlsonlynch.com*
9 *jetzel@carlsonlynch.com*

SCOTT + SCOTT

Erin Green Comite (admitted *pro hac vice*)
156 South Main Street
P.O. Box 192
Colchester, CT 06415
Telephone 860-537-5537
Facsimile: 860-537-4432
ecomite@scott-scott.com

6 **SHUMAKER LOOP & KENDRICK**

7 Brandon Taaffe (admitted *pro hac vice*)
8 Michael S. Taaffe (admitted *pro hac vice*)
9 240 South Pineapple Ave., 10th Floor
10 Sarasota, Florida 34236
11 Telephone: (941) 366-6660
12 Facsimile: (941) 366-3999
13 *btaaffe@shumaker.com*
14 *mtaaffe@shumaker.com*

AHDOOT & WOLFSON

Tina Wolfson (SBN 174806)
Theodore Maya (SBN 223242)
10728 Lindbrook Drive
Los Angeles, CA 90024
Telephone: (310) 474-9111
Facsimile: (310) 474-8585
twolfson@ahdootwolfson.com
tmaya@ahdootwolfson.com

11 *Plaintiffs' Executive Committee*

13 **ANDRUS ANDERSON, LLP**

14 Jennie Lee Anderson (SBN 203586)
15 155 Montgomery Street, Suite 900
16 San Francisco, CA 94104
17 Telephone: (415) 986-1400
18 Facsimile: (415) 986-1474

EREZ LAW, PLLC

Jeffrey Erez (admitted *pro hac vice*)
1 SE Third Avenue, Suite 1670
Miami, FL 33131
Telephone: 305-728-3320
Facsimile: 786-842-7549
jerez@erezlaw.com

17 **THE RESTIS LAW FIRM, P.C.**

18 William Richard Restis
19 402 W. Broadway, Suite 1520
20 San Diego, CA 92101
21 Telephone: 619-270-8383
22 *william@restislaw.com*

SILVER LAW GROUP

Scott Silver (*pro hac vice* to be submitted)
11780 W. Sample Road
Coral Springs, FL 33065
Telephone: (954) 755-4799
Facsimile: (954) 755-4684
ssilver@silverlaw.com

21 **CARLSON LYNCH**

22 Todd D. Carpenter (SBN 234464)
23 (Eddie) Jae K. Kim (SBN 236805)
24 1350 Columbia St., Ste. 603
25 San Diego, CA 92101
26 Telephone: 619-762-1900
27 Facsimile: 619-756-6991
28 *tcarpenter@carlsonlynch.com*
ekim@carlsonlynch.com

WOLF HALDENSTEIN ADLER

FREEMAN & HERZ LLP
Matthew M. Guiney (to be admitted *pro hac vice*)
Kevin G. Cooper (to be admitted *pro hac vice*)
270 Madison Avenue
New York, NY 10016
Telephone: 212/545-4600
Facsimile: 212/686-0114
guiney@whafh.com
kcooper@whafh.com

SCOTT+SCOTT ATTORNEYS AT

MAURIELLO LAW FIRM, APC

LAW LLP

Joseph P. Guglielmo (admitted *pro hac vice*)
The Helmsley Building
230 Park Ave., 17th Floor
New York, NY 10169
Telephone: 212-223-6444
Facsimile: 212-223-6334
jguglielmo@scott-scott.com

Thomas D. Mauriello (SBN 144811)
1230 Columbia Street, Suite 1140
San Diego, CA 92101
Telephone: (619) 940-1606
Facsimile: (949) 606-9690
tomm@maurlaw.com

GRABAR LAW OFFICE

Joshua H. Grabar (to be admitted *pro hac vice*)
1735 Market Street, Suite 3750
Philadelphia, PA 19103
Telephone: 267-507-6085
Facsimile: 267-507-6048
jgrabar@grabarlaw.com

RIGRODSKY & LONG, P.A.

Seth D. Rigrodsky (to be admitted *pro hac vice*)
Timothy J. MacFall (to be admitted *pro hac vice*)
825 East Gate Boulevard, Suite 300
Garden City, NY 11530
Telephone: (516) 683-3516
sdr@rl-legal.com
tjm@rl-legal.com

THE GUILIANO LAW GROUP, P.C.

Nicholas J. Guiliano (to be admitted *pro hac vice*)
1700 Market Street, Suite 1005
Philadelphia, PA 19103
Telephone: (215) 413-8223
Facsimile: (215) 660-5490
nick@nicholasguiliano.com

ROSMAN & GERMAIN LLP

Daniel L. Germain (SBN 143334)
16311 Ventura Blvd., Suite 1200
Encino, CA 91436-2152
Telephone: (818) 788-0877
Facsimile: (818) 788-0885
Germain@Lalawyer.com

THE WEISER LAW FIRM, P.C.

James M. Ficaro (*pro hac vice* to be requested)
22 Cassatt Avenue
Berwyn, PA 19312
Telephone: (610) 225-2677
Facsimile: (610) 408-8062
jmf@weiserlawfirm.com

Plaintiffs' Counsel