

# United States Senate

WASHINGTON, DC 20510

December 20, 2018

The Honorable Jay Clayton  
Chairman  
Securities & Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

The Honorable Jelena McWilliams  
Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429

Stephen P. Harbeck  
President & CEO  
Securities Investor Protection Corporation  
1667 K Street, N.W.  
Washington, D.C. 20006

Dear Chairman Clayton, Chairman McWilliams and Mr. Harbeck:

We write today regarding the recent news that Robinhood plans to open checking and savings accounts now under the guise of “cash management.” Financial technology (fintech) firms like Robinhood serve a vital purpose and increase consumer choice, inclusion, and economic prosperity. Competition with traditional servicers like banks and credit unions can ultimately benefit consumers, but we must continue to maintain the integrity of our financial system as the digital revolution expands.

As you’re aware, on December 13<sup>th</sup>, Robinhood announced the availability of new checking and savings accounts with a three percent interest rate. Under a now deleted announcement, Robinhood wrote, “your cash in Robinhood is insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC). SIPC protects cash deposits in your account in the unlikely event that Robinhood fails.” We commend SIPC for quickly and publicly explaining these accounts would not be insured. Robinhood subsequently retracted its claims and rebranded the new service as “cash management.”

Cash management is an important existing service offered by brokers to address investor demand to better manage their money. We are concerned that rebranding Robinhood’s original announcement to cash management may simply be a way to circumvent regulatory scrutiny without offering full transparency to its customers. As of December 20, over 850,000 people have signed up for the waitlist for Robinhood’s new service, and some of these individuals may have signed up before Robinhood retracted its SIPC insurance claim and because they thought they would be getting “Robinhood Checking and Savings.” Marketing an investment account as a traditional checking or savings account can be misleading and confusing for consumers.

We applaud innovation that reduces barriers to consumer friendly financial products and challenges competitors to improve their business models. This is why Congress will continue to explore options that both encourage innovation, while protecting consumers and the safety and soundness of our financial system. In the meantime, we would appreciate an update on how the SEC, FDIC, and SIPC carefully monitor fintechs who, intentionally or not, blur financial products for competitive advantage. Indeed, robust competition should not come at the expense of customer clarity, and every effort should be made not to mislead customers. We thank you for your consideration and would appreciate a response by January 31, 2019.

Sincerely,

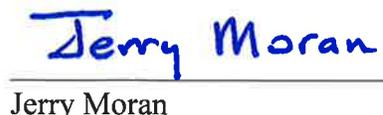
  
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