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Robinhood Users Come Under Attack

Some critics say the app is 'gamified,' but building wealth should be fun, not complex and difficult.

By Vlad Tenev

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PHOTO: ANDREW KELLY/REUTERS

Amid the turmoil caused by the global pandemic, people who had been left behind by Wall Street started investing and creating wealth like never before. But now market gadflies, academics, and out-of-touch investors are attacking commission-free, no-minimum brokerages, potentially limiting access to capital markets.

The democratization of investing is no accident. Following Robinhood's lead, many brokerages across the industry dropped commissions in late 2019 after charging them for decades. By one estimate, this put about $13 billion back in the hands of retail investors. We've helped a generation of digitally savvy customers engage with and understand investing.

Our business has come under attack by critics who insist that our platform is "gamified." They point to features such as lists of stocks and exchange-traded funds that help people discover investments and notifications about stock movements that help them stay informed. We designed these features, many of which are common in our industry, to make it easier and more delightful for users to stay informed. Investing isn't a game, but must it be grim and difficult to understand?

Meanwhile, some critics decry not only modern investing platforms, but also the people who use them, suggesting that new investors are uninformed gamblers

looking to get rich quick. Not only are these stereotypes offensive, but the data tell a far different story. According to the Finra Foundation, many new investors in 2020 began saving for retirement with a small amount of money. Robinhood's own surveys indicate that our customers—about half of whom tell us at sign-up that they are new to investing—are more racially diverse than those at traditional brokerages.

Payment for order flow also is in the regulatory crosshairs. Robinhood accepts payments from market makers that execute our customers' trades at better prices than are generally available on exchanges. Brokerage firms have used this practice for decades. Before Robinhood, most firms received payment for order flow and charged upfront commissions. The money brokerages like Robinhood get from these market makers lets us offer commission-free investing without minimums, which has helped a new generation of retail investors get started. A ban on payment for order flow is unlikely to help retail investors get better prices and would likely re-erect barriers that kept so many out of the market.

The democratization of markets threatens the existing order. New investors are trying to build stable financial futures and reverse the inequities that plague our society. One wonders whether the push to ban payment for order flow and overregulate modern design is about investor protection or really about control.

Whatever the motivation, making it more difficult to invest would hurt those who were shut out of the financial system for decades. Many Americans face suffocating debt and financial challenges, and more regulation would make it harder to build wealth. Rather than regulating financial innovators out of existence, it is in our collective interest to embrace technology, business models and policies that make it possible to build a more diverse generation of investors —one that looks like America.

Mr. Tenev is CEO and a co-founder of Robinhood Markets.

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