

Title: Full response and investigation from Maxine Waters of 28 January. She dropped the bomb!
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j. *Robinhood threatened to terminate their business relationship with a market maker that wanted to limit order flow during the Meme Stock Market Event due to "regulatory and financial risk."*

Wolverine Execution Services (Wolverine), a market making firm headquartered in Chicago, Illinois, emailed Robinhood on Monday, January 25, 2021, to notify Robinhood of issues executing trades and "an extremely high number for quoted spread" on GME based upon Robinhood's unique formula for calculating PFOF.¹⁷⁰ Employees at Robinhood and Wolverine continued to communicate throughout the week regarding the acute volatility, and at one point Wolverine communicated to Robinhood that it considered Robinhood to be "a regulatory and financial risk to their business."¹⁷¹ Early in the morning of January 28, 2021, an employee for Wolverine emailed Jim Swartwout at Robinhood Securities to state that Wolverine was "on the cusp of disaster," and the firm wanted to "stay in the business with Robinhood on the equity side but the pressure on sustained losses is not good."¹⁷²

Wolverine, like other market makers, faced both financial and operational challenges during the Meme Stock Market Event. Financially, Robinhood's unique formula for calculating PFOF rebate rates created extraordinarily high quoted rates Wolverine would be required to pay Robinhood relative to periods of less volatility. In addition to Robinhood's disproportionate PFOF rebate rates, Wolverine faced operational concerns from the inbound order flow. Like Virtu, the firm's IT systems were placed at risk due to the extraordinary order flow in meme stocks. Throughout January 28, 2021, as Robinhood's other market makers stopped taking order flow, Robinhood had to disproportionately increase the amount of order flow it routed to Wolverine. This additional order flow went far beyond what Robinhood typically sent to Wolverine, which greatly exacerbated the stress on Wolverine's systems.¹⁷³ Wolverine employees requested that Robinhood route away all equities trades.¹⁷⁴ As the two firms communicated throughout the night of January 27, 2021 and throughout the day of January 28, 2021, Robinhood employees, including Jim Swartwout, grew increasingly frustrated with Wolverine's requests to route equities away.¹⁷⁵ Robinhood Securities begrudgingly routed equities orders away from Wolverine, which Robinhood thought Wolverine (referred to as "WEX" in the communication below) had requested based on concerns from their compliance team regarding the movement of speculative meme stocks.

¹⁷⁰ RH_HFSC_00009944 (on file with the Committee).

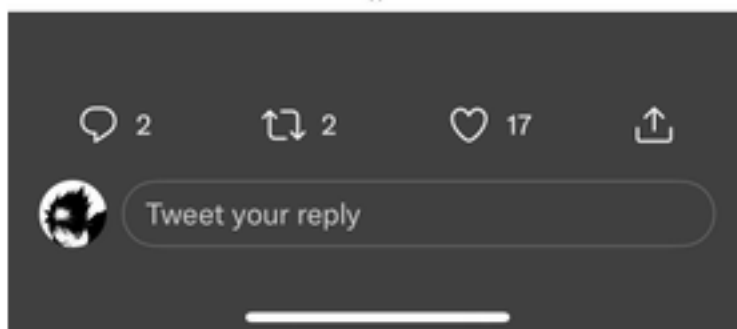
¹⁷¹ Interview with J. Swartwout (Robinhood) (Oct. 22, 2021); RH_HFSC_00011870 (on file with the Committee).

¹⁷² RH_HFSC_00012324 (on file with the Committee).

¹⁷³ Wolverine Execution Services briefing with the Committee (Dec. 16, 2021).

¹⁷⁴ RH_HFSC_00017646-1 (on file with the Committee).

¹⁷⁵ *Id.*



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Maxine Waters ✓

@RepMaxineWaters



Immediately after the trading frenzy of GameStop & other meme stocks, I said [@FSCDems](#) would get to the facts that led to the market volatility. Promise kept! Today, we released our report on our full response & investigation I led. I urge you to read it: go.usa.gov/xJGN3

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Took them an entire year or so to tell us what we already knew. Emb TELL US



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