

Title: RH PFOF Disclosure Report

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RH just updated its terms of service. Was browsing through it and came across their disclosure reports regarding PFOF. 3Q Report July - September is linked here <https://cdn.robinhood.com/assets/robinhood/legal/RHS%20SEC%20Rule%20606%20and%20607%20Disclosure%20Q2%202021.pdf>

I have a few general questions for discussion:

1. Did we know that RH routes OPTIONS order flow differently than STOCK order flow? Specifically, RH sells its OPTIONS PFOF to Citadel, Wolverine, Global Execution Brokers, and Morgan Stanley.
2. Did we know that RH makes five times more money from PFOF of OPTIONS than it does stocks?
3. How much money do these brokers make (or hedge) from PFOF of OPTIONS that they collectively spend \$50M+ per month just for the privilege of trading against RH's customers? Citadel, in particular pays more than \$20M per month to trade against RH's OPTIONS customers.

I've always seen PFOF generally talked about with stock trading - but I didn't realize the majority of the money is paid for options. It seems to me like short hedge funds aren't just using options to hedge and hide shorts - but they are internalizing the options (both to hide them and to stop them from hitting the lit markets).

Am I late to the party on this? I don't remember discussing Options PFOF in this context. Thoughts?