

Title: Beware of Robinhood's new stock lending program

Author: No_Way9105

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Robinhood recently came out with a new stock lending program that could be problematic for GME holders. The program information claims you are still able to sell your shares while on loan, and it's a great source of extra income. However, the details don't look so great.

Below is their information regarding impacts to dividends:

How do dividends work for stocks on loan?

Stocks on loan can still earn dividends—the resulting amounts are just paid out and taxed differently.

If your stocks are on loan, you'll still receive cash equal to any dividends earned—it'll just be passed to you from the borrower through Robinhood, not the issuer of the stock. These payments are often referred to as "cash in lieu of dividends" or "manufactured dividends." Manufactured dividends will be labeled on your brokerage account statements as "Manufactured Div." instead of "Cash Div."

The other big difference is that while dividends are taxed as capital gains, manufactured dividends are taxed as ordinary income. This means that the tax rate applied to them will be your ordinary income tax rate.

If you have more specific questions about how manufactured dividends are taxed and how to report them on your taxes, we recommend speaking with a tax professional.

And then, the disclosure:

Disclosures

Stock Lending is not appropriate for all customers. Stock Lending is offered through Robinhood Financial LLC. Securities are lent to Robinhood Securities, LLC. There is a risk that Robinhood Securities could default on its obligations to you under the Stock Lending program and fail to return the securities it has borrowed. If Robinhood Securities defaults and is unable to return loaned securities, you will not be able to trade such securities as usual.

Provisions of the Securities Investor Protection Act may not protect you with respect to loaned securities. Robinhood Securities, however, provides cash collateral for such securities loans, and that collateral may constitute the only source of satisfaction of Robinhood Securities' obligations in the event that it fails to return the loaned securities. In some circumstances, the collateral held on your behalf may not equal or exceed the value of loaned securities.

There are operational risks associated with securities lending. For more risks and information about Stock Lending, please review the Fully Paid Securities Lending Risk Disclosure Statement and the Fully-Paid Master Securities Lending Agreement.

Link provided below:

<https://robinhood.com/us/en/support/articles/stock-lending/>