Twitter Thread by Zack Guzman

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Robinhood is not the only brokerage that limited buys on GameStop this week, so why is it catching all the heat?

Maybe because @stoolpresidente & others were quick to spread a theory that hedge funds must have forced the move? Or, Robinhood acted alone

A thread on facts 1/X



In our 20-minute interview with Robinhood CEO Vlad Tenev I tried to push for answers tied to their decision in 2018 to internalize a boring but important part of users' trades to boost revenue

Their decision came with a tradeoff: A spike in volatility could be very, very bad 2/X

It's a behind the scenes part of your trade, but Robinhood or E*Trade passes your stock order to what's called a clearing house

They carry some liability in the days it takes for your trade to settle. That usually isn't a problem, but can become one if a stock swings fast 3/X

Most smaller brokers forgo added revenue to outsource the duties of a clearing house to giants like Apex Clearing, which solely focus on this part of your trade

But Robinhood in 2018 decided to cut ties with Apex to build their own clearing house called Clearing By Robinhood 4/X

Building your own clearing house is ambitious. TD Ameritrade and Schwab built their own but they are industry titans

In Robinhood's own blog they trumpeted their achievement as the "only clearing system built from scratch, and on modern technology, in the last decade." 5/X

As I learned in our interview with the CEO of Webull, another free trading platform that also got slammed for briefly pausing buys on GameStop, the decision wasn't his. It actually stemmed from capital requirements at its clearing house Apex 6/X



When GameStop, AMC, and other stocks started fluctuating rapidly that made the cost to clearing houses "3X more expensive" to settle trades. Webull says it only was able to restore trading when its clearing house Apex raised sufficient capital

So what took Robinhood so long? 7/X

Robinhood CEO Vlad Tenev didn't answer when I tried to ask 3 times, but raising $1 billion in emergency funding points to the same issue

Building their own clearing house came with added risks - it just seems no one saw GameStop rising 500% in a week 8/X



Robinhood pointing to unprecedented volatility as a reason it had to hurt customers is an excuse to a problem that it *itself* created

Letting customers continue to buy GameStop stock was like selling lottery tickets while knowing there could be problems with the drawing 9/X

That $1 billion dollar injection could have come sooner.
Messaging to customers that this wasn't about "protection" could have come sooner

The SEC could've done something (anything) and *market wide* to protect the lopsided impact to protect the market's poorest investors 10/X

What Robinhood did is a legitimate problem. The facts and decisions that led up to it should be investigated further. I'll do my part.

But running with a theory that hedge funds pressured them into anything before those facts exist is dangerous and endangers any real change 11/X

Please share our Robinhood interview and my story in @YahooFinance with everyone talking @wallstreetbets

I'm just as angry about it as everyone else (even Mama Guz couldn't trade on Robinhood!) I'll keep chasing the truth.

https://t.co/CGhDIqjRk1