# Twitter Thread by John Street Capital



**John Street Capital**
@JohnStCapital

**0/ We have the @RobinhoodApp & @vladtenev testimony today. The prepared remarks provide some insights on the business & what happened with $GME etc...**

**They have 13M customers, 13% trade options, 2% multi leg options and 3% are margin enabled**

1/ The median age of an investors is 31; 1/2 are first time investors.

The median / average customer account size is $240 / $5,000.

This supports various theses that RH is the “play account” while users have another longer term oriented brokerage account.

2/ On the $GME saga they provide the timeline of collateral requirements during the week of 1/25.

Their obligation 1/25 as $124M the same day the VIX spiked 62% (3rd largest daily gain since 1990).

On 1/28 NSCC told them they had a deposit deficit of $3B. ($1.3B of VaR based)

The chart below illustrates the approximate NSCC depository requirements that Robinhood encountered over the course of the week of January 25, 2021[21]:

| Date | Daily VaR Requirement Start of Day | Daily VaR Requirement End of Day |
|---|---|---|
| January 25, 2021 | $125 million | $202 million |
| January 26, 2021 | $291 million | $291 million |
| January 27, 2021 | $282 million | $690 million |
| January 28, 2021 | $1.4 billion | $1.4 billion |
| January 29, 2021 | $354 million | $753 million |

3/ In addition to the VaR based they had an "excess capital premium charge" over $2.2B. The NSCC indicated RH owed $3.7B versus $696M already on deposit with NSCC, so the net amount due was approximately $3B

4/ They also mentioned over the course of 4 days they raised ~$3.4B from investors

5/ On PFOF they highlighted that their customers received more than $1B in price improvement during 1H20 from PFOF. They were paid ~$271M for that with the vast majority in options (which is not where most of their investors transact)

6/ On app design they take issue with "gamification" claims (who doesn't use confetti?)

"RH designed its app to appeal to a new generation of investors who are more comfortable trading on smartphones than speaking with a broker."

7/ "I am confident that the easy-to-use interface enables customers to understand, control, & direct
their finances in a responsible way. RH does not offer rewards or levels to encourage more trading. RH does sparingly use features like confetti animation
to celebrate..."

8/ They also spoke about financial literacy and their efforts around this. In '20 RH Learn articles were read by more than 3.2M people, and unique visits
rose 260% from January-November '20.

RH Snacks Daily podcast, was downloaded 40M times in '20.

9/ Interestingly they spoke about exercise of OTM call options.

"In January 2021 RH became aware that some customers were occasionally exercising OTM options causing them to suffer losses immediately upon exercise. To prevent these losses, RH implemented a procedure requiring

10/ customers to speak to a live registered representative before exercising OTM options."

On 1/29/21 they finally prevented customers from exercising these.

11/ RH also talks about market microstructure & the T+2 settlement system & why they think it needs to change to "protect small investors."

12/ Finally they spoke about diversity. Hispanic investors account for ~16% of the investor base while African Americans account for ~9%.

They announced women tripled in '20 & represent a "higher % of customers than ever before" but don't disclose the metric
cc @eldavis8