



Arkansas Securities
Department



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HUGH McDONALD
SECRETARY OF COMMERCE

SUSANNAH MARSHALL
COMMISSIONER
ARKANSAS SECURITIES DEPARTMENT

To: Arkansas Legislative Council
Co-Chairs, Senator Terry Rice and Representative Jeff Wardlaw
c/o Marty Garrity, Bureau of Legislative Research

From: Arkansas Securities Department

Re: Arkansas Securities Department Quarterly Report Pursuant to Act 281 of 2023

Date: September 30, 2023

During the 1st quarter of Fiscal Year 2024, the Arkansas Securities Department collected a total of \$294,339.42 assessed from orders. Of the total, \$144,339.42 was deposited into the State General Revenue fund and \$150,000.00 was deposited into the Department's Investor Education Fund. A list of the orders is provided on the attached spreadsheet. No settlements or agreements directed payments to a specific entity. Copies of the orders are available on the Department's website at www.securities.arkansas.gov under the legal section.

Pursuant to the Arkansas Securities Act, fines paid for violations involving the Securities Act are deposited into the Investor Education Fund, until the total amount of fines collected reaches \$150,000.00 for each fiscal year. Securities Act fine money in excess of \$150,000.00 collected in any one year is designated as general revenues. All funds collected for violations of the Fair Mortgage Lending Act are directed to general revenue.

During the 1st quarter of FY'24, the Department spent \$2855.28 from the Investor Education Fund on operating expenses. The Investor Education Program made 14 presentations to approximately 759 persons during this quarter. These presentations focused on financial literacy, saving for retirement, the stock market, and functions of the Arkansas Securities Department. Throughout the 1st quarter, the Investor Education Program continued its partnership with Economics Arkansas to host a program for middle school students at Dunbar Magnet Middle School in Little Rock. This program is designed to instruct the students on matters of financial literacy. There are approximately 19 students participating in the program.

A	B	C	D	E	F	G	H	I
Date	Name of Order	Order Number	Total Amount of Fines Assessed	Funds Received by SIE0000	Funds Received by AGA0000	Rescission Offer or Restitution to Arkansas investors	Activities Funded	Summary
1								Robinhood, a registered broker-dealer firm failed to establish and maintain supervisory systems, misrepresenting risks associated with multi-leg spread options, and failed to report customer complaints. Members of the North American Securities Administrators Association ("NASAA"), with the Alabama Securities Commission ("ASC") serving as the "Lead State" conducted a multistate task force investigating into Robinhood's management of its activities concerning the retail market including platform outages, deficiencies in supervision of options and margin trading eligibility and approval processes along with deficiencies relating to Robinhood's operational structure for controls, customer service, and relating to significant operational issues during the period of approximately October 1, 2019 to March 2021. By failing to maintain adequate oversight of its trading technology, resulting in significant platform outages during times of historic market volatility, as well as significant periodic outages, Robinhood harmed its Arkansas customers. Robinhood failed to maintain and implement adequate supervisory systems for its technology and failed to exercise due diligence in ascertaining essential facts about Arkansas customers, qualifications for options, and margin trading. Robinhood also negligently misrepresented risks associated with multi-leg spread options. The total amount of the settlement for Arkansas was \$200,000.00; the total amount has been received.
2	Robinhood	S-23-0014-23-OR01	\$200,000.00	\$ 150,000.00	\$ 50,000.00		Investor Education and General Revenue	
3	Nexo, Inc	S-23-0001-23-OR01	\$424,528.30		\$ 94,339.62		General Revenue	Nexo, Inc. is a Cayman Islands corporation that provides virtual currency-related financial services to retail and institutional borrower in the United States. They were not registered to do business in Arkansas in any capacity. The North American Securities Administrators Association (NASAA) conducted an investigation into whether the earned interest product (EIP), which allows clients to earn interest on digital assets, involved the offer and sale of unregistered securities by Nexo. Nexo reached an agreement with NASAA and the fifty states to cease and desist offering or selling the EIP or any security that is not registered, qualified, or exempt to new clients in the US. The total settlement amount was \$22,500,000 and is divided equally amount the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands and paid to each of the 53 Jurisdictions that enter into a consent order. The total amount of the settlement for Arkansas is \$424,528.30 and there is one payment left of \$94,339.62 for this settlement.
4	Totals		\$624,528.30	\$150,000.00	\$144,339.62			