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Robinhood shelves trademark digital confetti ahead of IPO

Article

The US-based trading app ditched the digital confetti that accompanied user milestones like executing a first trade in favor of animations with additional information regarding the actions carried out, per Finextra. The digital confetti had formed part of Robinhood's business strategy, democratizing access to stock trading for a wider pool of investors by offering a slick user interface without fees and incentivising engagement with effects like confetti.

However, regulators criticized such features for gamifying investing and encouraging inexperienced users to trade frequently—Massachusetts regulators filed a complaint in December alleging that Robinhood failed to protect users' interests.

Intensifying regulator scrutiny in the wake of various controversies risks dampening investor interest leading up to its IPO.

- **Robinhood faced various scandals in the last year, which was also a period of rapid user growth.** Robinhood saw its user base surge in 2020 as digital stock trading grew in popularity, but some of its practices have drawn user criticism and regulatory scrutiny alike. Robinhood suffered outages during the extreme market volatility in March 2020, which outraged users who were unable to make trades. Robinhood was also fined $65 million by the Securities and Exchange Commission in December for misleading its customers about revenue sources. And the trading platform took center stage during the GameStop price surge earlier this year after it restricted trading on the stock, which resulted in several US regulator inquiries.
- **This hasn't inhibited Robinhood's ability to raise funding, but it's in the fintech's interest to allay concerns ahead of its IPO.** Robinhood raised $2.4 billion in convertible debt financing in the wake of the GameStop scandal, on top of a $660 million mega-raise in September 2020, demonstrating that the scandals have not deterred institutional backers. However, the growing regulatory focus on digital trading platforms and a potential clampdown on their activities might put off some investors ahead of its expected late Q2 IPO.

Robinhood's recent moves should appease potential investor concerns, but the trading platform should continue focusing on educating its users. Shelving the digital confetti represents a U-turn from March, when Robinhood denied that the confetti encouraged negative trading behavior. This suggests the trading platform is taking regulator concerns seriously before its public listing. Adjusting controversial aspects of its platform—after adding new educational resources and customer support last year—should go a long way to retain investor interest. Robinhood should expand its educational tools and tone down the gamified aspects of its app leading up to and after its IPO—both to protect its users' interests and appease watchdogs.


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BROKERAGES/ TRADING PLATFORMS
robinhood
Freetrade
eToro
CommonStock
BUX 0
TRADE REPUBLIC
trio
STOCKPILE
STAKE
Webull
TRADING 212
PELICAN
DEGIRO
EVARVEST
stockflare
acorns
TradeStation
ally invest
FIRSTRADE
E*TRADE
TD Ameritrade
charles SCHWAB
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MERRILL A BANK OF AMERICA COMPANY
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J.P.Morgan
J.P. Morgan Securities
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