

User-friendly Investing Apps Granting Novice Investors Access to Stock Exchanges— Overvaluing Stocks

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What do all these companies have in common?



All of the previous companies had significant stock price inflation fueled by investing apps' popularity.

The reasons behind the popularity of investing platforms

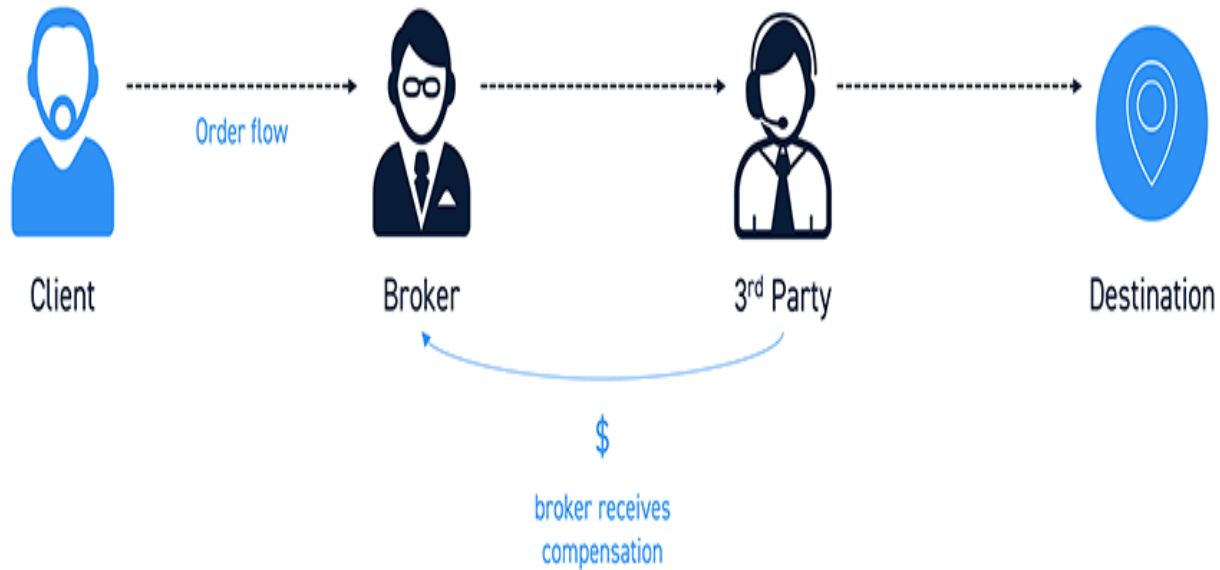
- “Zero-fee” Trading
- Gamification
- Social Media



Zero-fee Trading

- Robinhood pioneered the “zero-fee” concept to stock trading
- All other major platforms adopted “zero-fee”
- Instead, by selling consumer data investing apps make more profit than charging fees
- Selling consumer order data is called payment for order flow (PFOF)

Payment For Order Flow



Broker	Security Type	PFOF Q1 2020	PFOF Q2 2020	Percent Change
TD Ameritrade	Equity	\$72,782,936	\$144,219,349 0	98
	Options	\$129,597,189	\$179,991,996	39
	Total	\$202,380,125	\$324,211,345	60
E*TRADE	Equity	\$29,822,204	\$50,210,044	68
	Options	\$49,829,545	\$60,117,332	21
	Total	\$79,651,749	\$110,327,376	39
Schwab	Equity	\$25,447,153	\$32,396,842	27
	Options	\$28,517,592	\$33,745,172	18
	Total	\$53,964,745	\$66,142,014	23
Robinhood	Equity	\$31,116,950	\$69,116,307	122
	Options	\$59,802,125	\$111,148,089	86
	Total	\$90,919,076	\$180,264,395	98

Source: Company 606 reports, Piper Sandler • [Get the data](#) • Created with [Datawrapper](#)

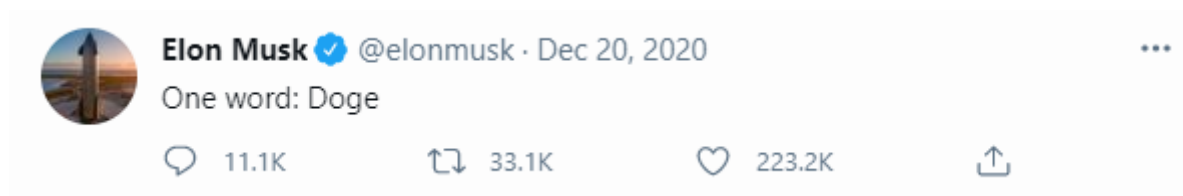
Gamification

- By making the user interface video game-like, investing apps can increase user engagement.



Social Media

- Social media platforms have increased speculative investing
- “Pump and dump” is far more ubiquitous because of social media

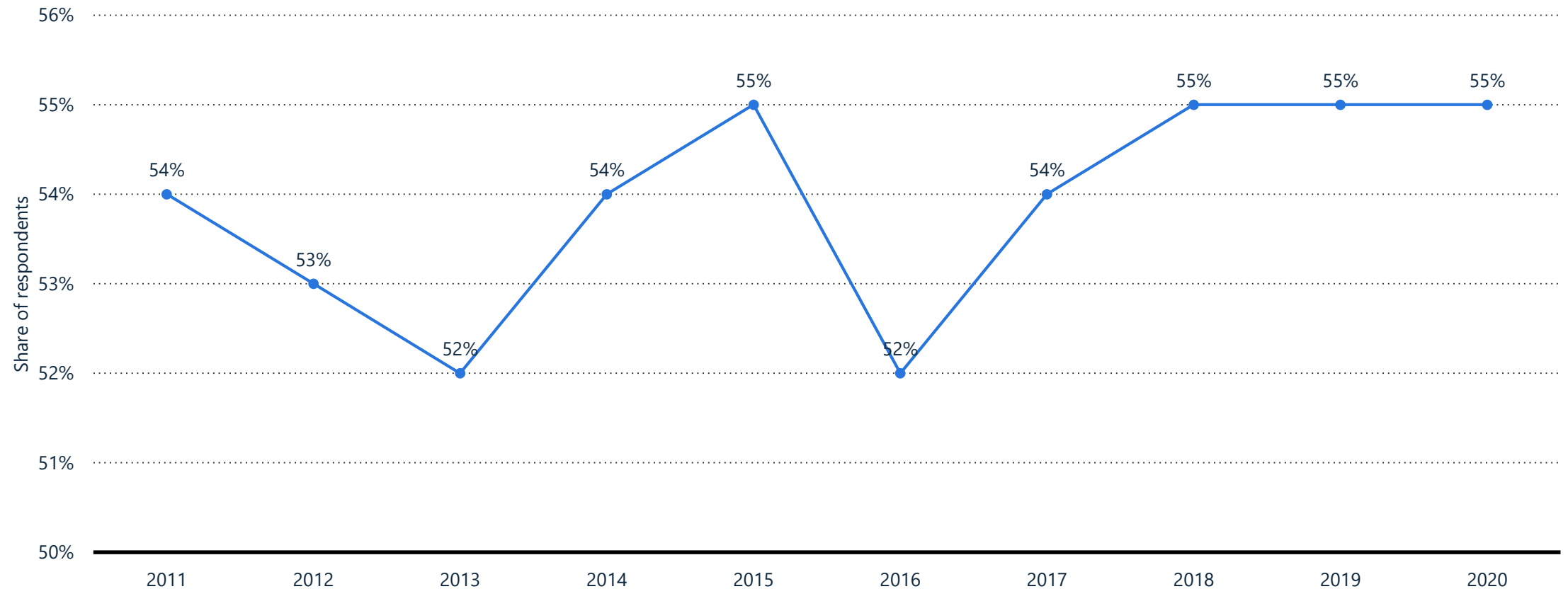


Why the rise of investing app matters

Over 50 Percent of American adults have investments in the stock market.

Share of adults investing money in the stock market in the United States from 2011 to 2020

Share of Americans investing money in the stock market 2011-2020



Note(s): United States; 1999 to 2020; 18 years and older; 1,015 respondents

Further information regarding this statistic can be found on [page 8](#).

Source(s): Gallup; [ID 270034](#)

Wider Impact of Investing apps

- Market Volatility
- Legal Accountability
- Oversees expansion of investing apps

Conclusion

Investing apps have allowed the average person unprecedented access to markets. However, they also encourage risky investment behavior. We must find a way to harness this positive impact without eroding our stock markets' credibility.

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