



*Via Electronic Mail and Overnight Mail

March 18, 2024

Franklyn Chien, CEO and Co-Founder
Jody Nesbitt, Chief Compliance Officer
PrizePool, Inc.
400 Concar Drive
San Mateo, California 94402
support@prizepool.com

3790 El Camino Real # 9039
Palo Alto, California 94306

RE: Potential Violations of Section 18(a)(4) of the Federal Deposit Insurance Act

Dear Messrs. Chien and Nesbitt:

The Federal Deposit Insurance Corporation (“FDIC”) has reason to believe that PrizePool, Inc. (“PrizePool”) has made false and misleading statements, directly or by implication, concerning PrizePool’s insured status, in violation of section 18(a)(4) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1828(a)(4) (“Section 18(a)(4)”), and its implementing regulation, 12 C.F.R. Part 328, Subpart B (“Part 328”). We hereby demand that you cease and desist and take immediate corrective action to address these false and misleading statements, as more fully set forth below.

Section 18(a)(4) and Part 328 prohibit any person from representing that an uninsured financial product is insured or from knowingly misrepresenting the extent or manner in which a deposit or obligation is insured under the FDI Act, whether by making affirmative statements or by omitting material information. For example, under Part 328, it is a material omission for a non-insured entity that advertises deposit insurance to represent that the amount of deposit insurance coverage is different (whether greater or less) than actually provided under the FDI Act. 12 C.F.R. § 328.102(b)(5). Additionally, under Part 328, no person may represent or imply that any uninsured financial product is insured or guaranteed by the FDIC as part of an advertisement, solicitation, or other publication or dissemination. 12 C.F.R. § 328.102(a)(2). Pursuant to Part 328, no person may knowingly make false or misleading representations about deposit insurance including the extent or manner of deposit insurance provided. 12 C.F.R. § 328.102(b). Further, pursuant to Part 328, a statement regarding deposit insurance would be deemed to omit material information if the absence of such information could result in a reasonable consumer being unable to understand the extent or manner of deposit insurance provided. See *generally* 12 C.F.R. § 328.102(b). Part 328 also prohibits the publication or dissemination of information, regardless of the media or platform, that suggests or implies that the

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party making the representation is an FDIC-insured institution if this is not in fact true. The FDIC has the authority to enforce these provisions against any person or entity. Enforcement tools available to the FDIC include the authority to issue cease-and-desist orders and to assess civil money penalties for violations of Section 18(a)(4) and Part 328. See 12 C.F.R. §§ 328.104-107.

Certain statements by PrizePool, which appeared on PrizePool’s website and other media (such as social media), have come to the attention of the FDIC as containing apparent misrepresentations about FDIC deposit insurance. These statements include, but are not limited to, the following:

- PrizePool indicates on its website that the returns (of 4.5% - 6.5% or more) promised on its “Stacked” savings account are FDIC-insured and are “risk-free.” *E.g.*, PrizePool homepage, GETPRIZEPOOL.COM, <https://getprizepool.com/> (last visited Mar. 11, 2024) (“Earn a minimum of 4.5% and have a chance to win up to \$1 Million any day, any time simply by saving. On average, our Stacked Members earn ~6.5%*. FDIC-insured.”).
- PrizePool states on its website that its customers’ deposits are “FDIC-insured up to \$500k.” *E.g.*, *id.* (“Your deposits are held and protected by our partner bank, Evolve Bank & Trust, Member FDIC and are insured up to \$500k.”).
- On the company’s Instagram account, PrizePool has stated “Accounts are FDIC-insured up to \$500K.” @prizepool, INSTAGRAM (Aug. 2, 2023), <https://www.instagram.com/reel/CvdgtAEoZnw/?igshid=NTc4MTlwNjQ2YQ>. See also @prizepool, comment to *id.* (“Your [money] with PrizePool is now FDIC insured up to \$500K by our partner banks! This increased limit starts right away”).
- PrizePool suggests on its website that its customers’ deposits are protected as against all forms of loss up to \$500,000. See, *e.g.*, PrizePool homepage, GETPRIZEPOOL.COM, <https://getprizepool.com/> (last visited Mar. 11, 2024) (“100% Secure. 100% FDIC-insured.”).
- PrizePool advertises its “Stacked” sweepstakes and savings product, for which customers pay \$10 per month, is “FDIC-insured by Evolve Bank & Trust,” PrizePool, *Accelerate Your Gains with STACKED*, GETPRIZEPOOL.COM, <https://getprizepool.com/stacked/> (last visited Mar. 11, 2024), and suggests that sweepstakes and investment earnings are insured as against all forms of loss, see, *e.g.*, *id.* (“Unlock the chance to win \$1 Million any time, any day, or win one of 10,000+ cash prizes every month on top of earning 4.50%** on your funds . . . FDIC-insured by Evolve Bank & Trust. 100% Secure.”).
- On the company’s Instagram account, PrizePool has advertised the “Stacked” sweepstakes prizes as “FDIC-insured.” @prizepool, INSTAGRAM (May 18, 2023), <https://www.instagram.com/p/CsZWx6nJA0l/?igshid=NTc4MTlwNjQ2YQ>.

- PrizePool features customer “testimonials” on its website that state that PrizePool is a “member of the FDIC,” and that PrizePool itself is “FDIC-insured.” *E.g.*, @tune70, *Testimonials*, GETPRIZEPOOL.COM, <https://getprizepool.com/testimonials/> (last visited Mar. 11, 2024).
- Other testimonials on the PrizePool website indicate that sweepstakes and investment earnings are insured by the FDIC as against all forms of loss. *See, e.g.*, @Guy (May 6, 2021), *Testimonials*, GETPRIZEPOOL.COM, <https://getprizepool.com/testimonials/> (“The fact that it’s FDIC insured and has way higher interest rates than even the best online savings accounts makes it a no-brainer!”); @lcohen8919, *Testimonials*, PRIZEPOOL.COM, <https://getprizepool.com/testimonials/> (last visited Mar. 11, 2024) (“It’s fundamentally a lottery savings account where you have the chance to win a prize, but at the same time earn an APR better than most mainstream banks – all still FDIC insured.”).
- PrizePool’s Instagram and TikTok accounts feature similar testimonials, in which putative customers encourage users to invest in PrizePool on the ground that it is a completely risk-free investment owing to its FDIC-insured status. *E.g.*, @prizepool, INSTAGRAM (Jan. 25, 2021), <https://www.instagram.com/p/CKeyVaonPjV/?igshid=NTc4MTlwNjQ2YQ> (“It’s a no-brainer. There’s no downside. It’s 100% safe. FDIC insured.”).

The statements highlighted above appear to represent or imply that: (1) PrizePool itself is FDIC-insured; (2) FDIC insurance is available for PrizePool’s “Stacked” sweepstakes product, including fees paid and sweepstakes “tickets” accrued by customers; (3) FDIC insurance would protect against “Stacked” or other PrizePool account-related losses unrelated to an insured depository institution (“IDI”) failure; and/or (4) FDIC insurance provides protection or coverage in any manner or extent other than as set forth in the FDI Act. Accordingly, PrizePool’s statements appear to violate Section 18(a)(4) and Part 328.

Based on the information available to the FDIC, it appears that the statements discussed above regarding deposit insurance violate Section 18(a)(4) of the FDI Act and Part 328. Consequently, the FDIC hereby demands the following corrective actions:

1. You shall immediately remove any and all statements, representations, or references that suggest in any way, explicitly or implicitly, that: (a) PrizePool is FDIC-insured; (b) FDIC insurance may provide coverage for any event other than the failure of an IDI; or that (c) FDIC insurance provides protection or coverage in any manner or extent other than as set forth in the FDI Act from PrizePool’s website (including any pop-ups, hyperlinks, or chatbots) and any other websites, X (formerly known as “Twitter”), Instagram, TikTok, and any other social media platforms (including both corporate accounts and personal accounts of senior management of PrizePool), any mobile apps, online outlets, and any other forms (electronic or hard copy) of marketing, advertising, or other consumer-facing publications.

2. You shall cease and desist from making any statements, representations, or references that suggest in any way, explicitly or implicitly, that: (a) PrizePool is FDIC-insured; (b) FDIC insurance may provide coverage for any event other than the failure of an IDI; or that (c) FDIC insurance provides protection or coverage in any manner or extent other than as set forth in the FDI Act.
3. Within fifteen (15) days of receipt of this letter, you shall provide written confirmation to the FDIC that PrizePool has fully complied with the requests set forth above. Such confirmation shall detail all efforts undertaken to comply with this letter, including all efforts to identify and locate all misrepresentations and the specific actions you took.

If you believe that any statement PrizePool or its officers have made related to FDIC deposit insurance as it relates to accounts is true and accurate, please provide a full listing of all such statements about deposit insurance on any medium or platform, which you allege to be true and accurate, together with information and documentation supporting the basis for your belief in the accuracy of all such statements, no later than fifteen (15) days from the date of this letter.

Failure to timely respond to this letter may result in the FDIC taking appropriate action as authorized by the FDI Act and any other applicable law or regulation. Be advised that this letter is intended to address only potential violations of Section 18(a)(4) and Part 328, described above. Your response to this matter may or may not affect our conclusions as to the potential violations identified above, and does not preclude the FDIC from taking any further action, as appropriate, with respect to the foregoing or any other violations of laws or regulations. Moreover, nothing in this matter bars or estops any other federal or state agency from investigating, or pursuing actions for, violations of other laws and regulations.

Should you have any questions about the contents of this letter, please contact [REDACTED]

Sincerely,

/s/
Seth P. Rosebrock
Assistant General Counsel, Enforcement
Section Federal Deposit Insurance Corporation