

Via Overnight Mail and E-mail

Luis Romero
Zera Financial
9491 Madison Ave
Westminster, CA 92683
info@zerafinancial.com

February 15, 2023

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

Dear Mr. Romero:

The Federal Deposit Insurance Corporation (“FDIC”) has reason to believe that Zera Financial (“Zera”) has made false and misleading statements, directly or by implication, concerning Zera’s deposit insurance status, in violation of section 18(a)(4) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1828(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) of the FDI Act, 12 U.S.C. § 1828(a)(4), and Part 328 prohibit any person from using the FDIC’s name or logo, or similar terms, to represent or imply that an uninsured deposit liability, obligation, certificate, or share is insured, or from knowingly misrepresenting the extent and manner in which a deposit liability, obligation, certificate or share is insured under the FDI Act. Further, Part 328 requires that whenever anyone other than an insured depository institution states that a product is insured by the FDIC, that person must identify the insured depository institution(s) where the funds will be placed, and failure to do so constitutes a material omission in violation of Section 18(a)(4) of the FDI Act and Part 328. 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.

Misrepresentations regarding the insured-status of Zera and the extent or manner of FDIC insurance appear on Zera’s website. For example:

- On Zera’s homepage, Zera alleges that: “With a minimum of \$500 and *with no max limit*, your deposits are secured with the FDIC.” (Emphasis added). See <https://zerafinancial.com/>.
- On Zera’s FAQ under the heading, “How safe is This?” Zera alleges: “The FDIC

(Federal Deposit Insurance Corporation) insures our accounts up to \$250,000.” See <https://zerafinancial.com/faq/>.

- On Zera’s FAQ under the heading, “What Will Happen to My Funds if Zera Collapses?” Zera alleges: “As long as our total value of accounts do not exceed FDIC limits you will not lose any portion of your funds if Zera collapses.” See <https://zerafinancial.com/faq/>.

These statements appear to contain false and misleading representations regarding FDIC deposit insurance, stating, implying, or suggesting that Zera is itself FDIC-insured, that funds deposited with Zera will be insured by the FDIC with no max limit, and that FDIC insurance will provide protection in the event of Zera’s failure. In fact, Zera is not FDIC-insured, FDIC insurance is generally subject to a \$250,000 limit, and FDIC insurance will not be implicated in the event of Zera’s failure. Accordingly, these statements are likely to mislead, and potentially harm, consumers.

To the extent that Zera’s representations relate to funds placed in accounts at insured depository institutions (IDIs) by Zera on behalf of Zera’s customers, these statements fail to identify the IDIs with which Zera has a direct or indirect relationship for the placement of deposits and into which such consumers’ funds may be deposited. Failure to identify the IDIs into which customers’ funds will be deposited is deemed a material omission pursuant to 12 C.F.R. § 328.102(b)(5).

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

1. You shall immediately remove any and all statements, representations, or references that suggest in any way that: (1) Zera is FDIC-insured, (2) Zera’s accounts will be FDIC-insured with no limit, (3) FDIC insurance will protect Zera customers’ funds in the event of Zera’s failure, or (4) FDIC insurance provides protection or coverage in any manner or extent other than those set forth in the FDI Act. Such statements shall be removed from Zera’s websites (including any pop-ups, hyperlinks, or chatbots), and any Instagram and any other social media platforms (including both corporate accounts and personal accounts of individuals associated with Zera, mobile app, online outlet, and any other form (electronic or hard copy) of marketing, advertising or other consumer-facing publication or materials of any kind that you influence or control.
2. You shall cease and desist from making any statements, representations, or references, directly or through your owners, officers, directors, or employees, that suggest in any way that: (1) Zera is FDIC-insured, (2) Zera accounts are FDIC-insured without limit, (3) FDIC insurance will protect Zera customers’ funds in the event of Zera’s failure, or (4) FDIC insurance provides protection or coverage in any manner or extent other than those set forth in the FDI Act.
3. To the extent that Zera’s representations allegedly relate to pass-through insurance arising from the placement of funds in accounts at IDIs, you shall amend such statements to: (1) clearly and accurately identify the nature of such insurance, including identifying

the limitations and qualifications applicable to such insurance, and (2) identify the IDI(s) with which Zera has a direct or indirect relationship for the placement of deposits and into which customers' funds may be deposited.

4. Within fifteen (15) business days of receipt of this letter, you shall provide written confirmation to the FDIC that you have fully complied with the requests set forth above. Such confirmation shall detail all efforts that you took to comply with this letter, including all efforts to identify and locate all misrepresentations and the specific actions you took.

If you believe that the statements identified above regarding the availability of FDIC deposit insurance are true and accurate, please provide a full listing of all such statements together with information and documentation supporting the accuracy of all such statements, not later than fifteen (15) days from the date of this letter.

Failure to 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.

Should you have any questions about the contents of this letter, please contact [REDACTED], an attorney in the FDIC's Legal Division, at [REDACTED] or [REDACTED].

Sincerely,

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