



Via Overnight Mail and Electronic Mail

January 19, 2024

Sabeer Nelli, CEO
Zil Money Corporation
111 N. Market Street
San Jose, CA 95113
support@zilbank.com

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

Dear Mr. Nelli:

The Federal Deposit Insurance Corporation (“FDIC”) has reason to believe that Zil Money Corporation (“Zil”) has made false and misleading statements, directly or by implication, concerning Zil’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 actions to address these false and misleading statements, as more fully set forth below.

Section 18(a)(4) and Part 328 prohibit any person 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. 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). For example, it is a material omission for a non-insured entity that advertises deposit insurance to fail to identify the insured depository institution (IDI) with which the representing party has a direct or indirect business relationship for the placement of deposits and into which the consumer’s deposits may be placed. 12 C.F.R. § 328.102(b)(5). 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 Zil, which appeared on Zil’s website, <https://zilbank.com/>, and other 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:

- “The insurance covers up to \$250,000 per depositor, per account, in FDIC-insured institutions like Zil.” See <https://zilbank.com/importance-of-fdic-insurance/>.
- “Our platform is an online bank that is FDIC-insured.” See <https://zilbank.com/best-business-bank-accounts-for-your-business-needs/>.

- “Zil is an FDIC insurance bank.” See <https://zilbank.com/zil-an-online-fdic-insurance-bank-for-all-business-purposes/>.
- “ZilBank.com ensures your peace of mind by being FDIC insured.” See <https://zilbank.com/best-online-bank-account-2023/>.
- “Banks provide [sic] shield businesses from any fraud that has taken place in their checking accounts. These can include incorrect vendor checks or employee fraud brought on by excessive account access, which makes it hard to track transactions. The checking account provided by Zil is FDIC insured, and also our online bank eliminates fraudulent activities on your checking account by providing state-of-the art protection.” See <https://zilbank.com/go-for-the-best-business-bank-today/>.

All of the statements highlighted above appear to represent or imply that Zil is an FDIC-insured bank and that FDIC deposit insurance would protect consumers in the event that Zil becomes insolvent or in the event of “any fraud.” In fact, FDIC only insures funds in accounts at an FDIC-insured bank in the event of the insured bank’s failure. Accordingly, Zil’s statements misrepresent the extent or manner of deposit insurance by implying Zil itself is an FDIC-insured bank that provides deposit insurance directly to consumers, in violation of Section 18(a)(4) and Part 328.

Furthermore, many of Zil’s representations regarding the availability of FDIC deposit insurance appear to fail to identify the IDI(s) into which consumers’ deposits may be placed. Because the name of the IDI into which consumers’ funds may be placed is necessary for a consumer to understand the extent or manner of deposit insurance provided, the absence of such information from the statements is a material omission and thus the statements violate 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) Zil is FDIC-insured; (b) FDIC deposit insurance may provide coverage for any event other than the failure of an IDI; or (c) FDIC deposit insurance provides protection or coverage in any manner or extent other than those set forth in the FDI Act, from the Zil website (including any blog posts, pop-ups, hyperlinks, or chatbots) and any other related websites operated by Zil, X (formerly known as Twitter) and any other social media platforms (including corporate accounts and personal accounts of senior management of Zil, and any paid advertisement on these platforms), the mobile app, online outlet, 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) Zil is FDIC-insured; (b) FDIC deposit insurance may provide coverage for any event other than the failure of an IDI; or (c) FDIC deposit insurance provides protection or coverage in any manner or extent other than those set forth in the FDI Act, from the Zil website (including any blog posts, pop-ups, hyperlinks, or chatbots) and any other related websites operated by Zil, X and any other social media platforms (including both

corporate accounts and personal accounts of senior management of Zil, and any paid advertisement on these platforms), the mobile app, online outlet, and any other forms (electronic or hard copy) of marketing, advertising, or other consumer-facing publications.

3. To the extent that Zil's representations relate to pass-through deposit insurance arising from the placement of consumer deposits into accounts at IDIs, you shall amend such statements to: (1) clearly and accurately identify the nature of such deposit insurance and (2) identify the IDI(s) with which Zil has a direct or indirect relationship for the placement of deposits and into which consumers' funds may be deposited.
4. Within fifteen (15) days of receipt of this letter, you shall provide written confirmation to the FDIC that Zil 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 Zil or its officers have made related to FDIC deposit insurance 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, as 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.

This letter constitutes an advisory letter within the meaning of 12 C.F.R. § 328.106. Accordingly, pursuant to 12 C.F.R. § 328.102(b)(6), continuing and/or future false or misleading deposit insurance representations may be deemed to have been knowingly made.

Should you have any questions about the contents of this letter, please contact Counsel [REDACTED], at [REDACTED]@fdic.gov.

Sincerely,

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