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FDIC Continues Cease and Desist Sweep Regarding Deposit Insurance and Crypto



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A couple of weeks ago, [we reported on the FDIC and the Federal Reserve Board sending a cease and desist \(“C&D”\) letter to Voyager Capital](#) to stop representing that customer funds were protected by deposit insurance. This past week, the FDIC sent five more letters to cryptocurrency-related companies on the same issue.

Demonstrating its now-robust enforcement authority to redress advertising by “any person” who falsely or knowingly, or who aids or abets another in falsely or knowingly, misrepresenting when deposit insurance is available to customers, the five C&Ds were sent to companies that are not otherwise supervised or regulated by the FDIC and to individuals who made statements regarding deposit insurance availability for crypto, one by merely owning a related domain name. (See our report regarding the updates to the FDIC’s regulations as of June 2, 2022, [here](#).) The takeaway from this round of C&Ds is that the FDIC is hyper-sensitive regarding any statements involving deposit insurance and cryptocurrency and is willing to take the most technical of positions to get this message across. Usually viewed to be a rather arcane issue, deposit insurance nevertheless is one of the foundations of monetary security for the average person in the United States, and it is meaningful that the FDIC is seeking so vigorously to protect that foundation.

Three of the companies in receipt of one of these C&Ds provide news and information on the cryptocurrency industry, only:

- CryptoNews [was required to](#) remove references to deposit insurance in its [reviews of cryptocurrency exchanges](#);
- info [was required to](#) remove its “[List of FDIC-Insured Cryptocurrency Exchanges](#)”; and
- The *Smart Asset* newsletter that targets retirees [was required to](#) remove an article purporting to include its own list of cryptocurrency exchanges that

offered FDIC insurance.

One cryptocurrency exchange, FTX US, [received a C&D](#) due to tweets made by the exchange's president, Brett Harrison, that referenced the *Smart Asset* newsletter article and stated that "direct deposits from employers to FTX US are stored in individually FDIC-insured banks accounts in the users' names." On the latter point, the FDIC found that the failure of the tweet to identify the insured bank(s) into which those funds were being placed [was a material omission for purposes of the deposits advertising rules](#). Finally, the FDIC sent a [C&D to an individual, Corey Harris](#), who had registered a website domain called www.fdiccrypto.com. In that case, the FDIC alleged that merely by having that website domain, the individual was involved in making false and misleading statements regarding the availability of deposit insurance for cryptocurrency products.
