



Via Overnight Mail and Electronic Mail

Oleksandr Lutskeyvch, Chief Executive Officer  
Ruslan Gerasko, Head of Compliance Operations  
Victoria Polyakova, Head of Legal  
CEX.IO Corp.  
900 E. Diehl Rd., Ste. 110  
Naperville, IL 60563  
[support@cex.io](mailto:support@cex.io)

February 15, 2023

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

Dear Messrs. Lutskeyvch and Gerasko and Ms. Polyakova:

The Federal Deposit Insurance Corporation (“FDIC”) has reason to believe that CEX.IO Corp. (“CEX”) has made false and misleading statements, directly or by implication, concerning CEX’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.

A statement on CEX’s website provides that “U.S. dollars held in your CEX.IO fiat currency wallet are FDIC-insured up to \$250,000 per account.” See <https://cex.io/legal-security/us>. No qualifications, clarifications, or limitations are made in connection with this representation, and no insured depository institution or institutions (IDIs) are identified in connection with this statement.

Legal Division  
550 17th Street NW, Washington, D.C. 20429-9990

[www.fdic.gov](http://www.fdic.gov)

Moreover, misrepresentations regarding CEX's FDIC-insured status appear on other websites. For example:

- Under the heading, “**Is CEX.io Safe?**” one website represents: “Yes, Cex.io is a safe crypto exchange. Actually, one of the safest on the market *since they are FDIC insured...*” (Emphasis added). See <https://captainaltcoin.com/cexio-review/>.
- Under the heading, “**Am I and My Cryptocurrency Protected?**” another website represents: “US residents’ funds denominated in USD are covered by the FDIC up to \$250,000.” See <https://www.banklesstimes.com/brokers/cex-io/>.

These statements appear to contain false and misleading representations regarding FDIC deposit insurance by stating or implying that CEX is itself FDIC-insured and that FDIC insurance may provide protection for cryptocurrency. In fact, CEX is not FDIC-insured, and FDIC insurance does not protect cryptocurrency or any assets other than U.S. dollar deposits held at IDIs. Accordingly, these statements are likely to mislead, and potentially harm, consumers.

To the extent that CEX's representations relate to funds placed in accounts at IDIs, these statements fail to identify the IDI(s) with which CEX has a direct or indirect relationship for the placement of deposits and into which such customers' funds may be deposited. Failure to identify the IDI 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) CEX is FDIC-insured, (2) any funds held in cryptocurrency are protected by FDIC insurance, or (3) FDIC insurance provides protection or coverage in any manner or extent other than as set forth in the FDI Act. Such statements shall be removed from CEX's websites (including any pop-ups, hyperlinks, or chatbots), and from Twitter and any other social media platforms (including both corporate accounts and personal accounts of individuals associated with CEX), mobile apps, online outlets, and any other form (electronic or hard copy) of marketing, advertising or other consumer-facing publications 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, explicitly or implicitly, that: (1) CEX is FDIC-insured, (2) any funds held in cryptocurrency or other types of securities or commodities are or can be protected by FDIC insurance, or (3) FDIC insurance provides protection or coverage in any manner or extent other than as set forth in the FDI Act.
3. To the extent that CEX'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 IDIs

with which CEX 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 CEX has fully complied with the demands 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