

MARY ANN SMITH
Deputy Commissioner
DANIEL P. O'DONNELL
Assistant Chief Counsel
PAUL YEE (State Bar No. 142381)
Senior Counsel
Department of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, California 94104-4448
Telephone: (415) 972-8544
Facsimile: (415) 972-8500

Attorneys for Complainant

BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

In the Matter of:	)	SETTLEMENT AGREEMENT
THE COMMISSIONER OF FINANCIAL	)	
PROTECTION AND INNOVATION,	)	
	)	
Complainant,	)	
v.	)	
CHIME FINANCIAL, INC. ,	)	
Respondent.	)	

I.

RECITALS

A. The Commissioner of Financial Protection and Innovation (Commissioner) agrees to enter into this Settlement Agreement (hereinafter referred to as the “Agreement”) with Chime Financial Inc. (“Chime”). Together, the Commissioner and Chime will be referred to as the “Parties”.

1 B. Chime is a financial technology company that works with banking partners to provide
2 consumer-oriented banking products. Chime is incorporated in Delaware with headquarters in San
3 Francisco, California. Chime’s business model is predicated on partnering with certain banks (each
4 a “Bank Partner”) to provide innovative, fair and responsible financial products to consumers to
5 improve their financial health and assist them with their financial needs.

6 C. At all relevant times herein, Chime was not licensed to operate as a bank in
7 California or in any other jurisdiction, nor was it exempt from such licensure.

8 D. The Commissioner issues licenses and regulates state-chartered banks (Cal. Fin. Code §§
9 300, 560) in the state of California through the Department of Financial Protection and Innovation.
10 Any person engaged in the business of banking in California must be licensed by the Commissioner
11 unless exempt from licensure, or an agent of a person licensed. (Cal. Fin. Code § 563). Furthermore,
12 Cal. Fin. Code § 561 prohibits any person from transacting “business in a way or manner as to lead
13 the public to believe that its business is that of a bank” without actual authority to engage in such
14 business.

15 E. In 2020, the Commissioner commenced an inquiry of Chime for potential violations of Cal.
16 Fin. Code §§ 561 and 563 concerning Chime’s use of the term “bank,” or “banking” in the course of
17 Chime’s business.

18 F. As a result of the inquiry, the Commissioner finds:

- 19 1. That Chime’s use of the URL address of “chimebank.com” prior to February 2020
20 was in violation of Cal. Fin. Code § 561 in California.
- 21 2. That Chime’s usage of the words “bank” and “banking” in certain other aspects of
22 Chime’s business violated Cal. Fin. Code § 561 in California.

23 G. Chime has cooperated with the Commissioner’s inquiry and represents that it is committed
24 to working with regulatory agencies for the benefit of consumers; and that this Agreement reflects
25 Chime’s willingness to work with regulatory agencies to ensure that its products are transparently
26 disclosed to consumers. While neither admitting nor denying the Commissioner’s findings, Chime
27 agrees to comply to this Agreement as outlined below under “II. TERMS AND CONDITIONS”.
28

II.

TERMS AND CONDITIONS

1. Purpose. This Agreement resolves the issues before the Commissioner in a manner that avoids the business disruption and expense of a hearing and other possible court proceedings, protects consumers, is in the public interest, and is consistent with the purposes, policies, and provisions of the applicable law.

2. Order to Cease and Desist. The Commissioner hereby orders Chime and Chime agrees that in accordance with Cal. Fin. Code §§ 561 and 563 in California, that Chime will cease and desist from using the name “chimebank.com” in its business unless and until it becomes licensed or otherwise authorized to engage in the business of banking under the laws of California, another state or of the United States. Chime agrees that the Order to Cease and Desist is hereby deemed a final order.

3. Chime’s Review of its Webpage and Advertising. Chime agrees to perform the following review and make enhancements to its webpage and advertising by May 15, 2021. The Commissioner acknowledges and agrees that Chime will perform quality control and testing of such enhancements by June 15, 2021 and promptly thereafter make further enhancements to address any exceptions identified. Chime agrees as follows:

- a. Chime shall distance itself from use of the term “banking” and derivatives by clarifying statements on its website, on its mobile app, and in advertising to address the following:
 - i. Where “banking” terminology is used, Chime shall place a disclosure stating that Chime is not a bank and banking services are provided by its Bank Partner(s). The disclosure shall be in bold and/or increased font size in a clear and conspicuous manner proximate to the use of the banking terminology.
 - ii. Chime shall enhance internal review and approval process for when it presents testimonials that may be perceived as representing Chime as a bank.
 - iii. Chime shall clarify or annotate in all testimonials it publishes, or causes to be published, that use “banking” terminology that Chime is a financial technology company not a bank and banking services are provided by Chime’s Bank Partner(s). Further, Chime shall monitor affiliates and agents who publish other testimonials and provide clarifying information that

Chime is not a bank in response to such testimonials that use “banking” terminology.

iv. Where appropriate, Chime shall revise website language to state that customers can open an account “through” Chime, where existing language states “opening a Chime bank account” or “how to open a bank account with Chime” or similar language.

v. In paid Google search results, Chime shall place a statement on Google and other ads that banking services are provided by its Bank Partner(s), which it will identify by name.

vi. Chime shall include in its website Frequently Asked Questions (FAQ), an answer that clearly explains that the bank accounts are held at its Bank Partner(s), which it will identify by name.

vii. Chime shall provide a clear and prominent disclaimer during the account set up process to inform the consumer that Chime is a financial technology company not a bank and banking services are provided by Chime’s Bank Partner(s).

b. Chime shall enhance its description of Chime’s role as technology, business processor, and marketing service provider to its Bank Partner(s) and make clear that banking products and services are provided by Chime’s Bank Partner(s). The description shall be clear and conspicuous in the response to the “What is Chime?” question in the company’s website FAQs.

c. Compliance and Reporting. Chime shall establish, implement, enhance, and maintain testing policies, procedures, and standards reasonably designed to, at a minimum, ensure compliance with the provisions of this Agreement and with Cal. Fin. Code § 561. Furthermore, by June 15, 2021, and again one year after the effective date of this Agreement, Chime shall submit to the Commissioner an accurate written compliance progress report, which, at a minimum describes in detail the manner in which Chime has complied with this Agreement.

4. Waiver of Hearing Rights. Chime hereby waives its right to any hearings, and to any reconsideration, appeal, or other right to review which may be afforded pursuant to the California Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law or any other rights to hearing, reconsideration, appeal, or other action in this matter. By waiving such rights, Chime effectively consents to the Agreement becoming final and unappealable. Nothing in this Agreement shall waive Chime’s right to defend itself in the event of a dispute about compliance with its terms.

1 5. Full and Final Settlement. Chime hereby acknowledges and agrees that the
2 Agreement is intended to constitute a full, final, and complete resolution of Chime's alleged
3 violations as set forth in the Recitals (Violations), and that no further proceedings or actions will be
4 brought by the Commissioner against Chime based on the alleged Violations, excepting any
5 proceeding to enforce compliance with the terms of this Agreement or if such proceeding is based
6 upon discovery of new and further violations of the law or regulation that do not form the basis for
7 the Agreement and which Chime knowingly concealed from the State.

8 6. Information Willfully Withheld. This Agreement may be revoked if the
9 Commissioner later finds out that Chime knowingly or willfully withheld information used and
10 relied upon in the Agreement.

11 7. Assisting Other Agencies. The Parties further acknowledge and agree that nothing in
12 the Agreement shall limit the Commissioner's ability to assist any other agency (city, county, state,
13 or federal) with any prosecution, administrative, civil, or criminal, brought by any such agency
14 against Chime or any other person based upon any of the activities alleged in this matter or
15 otherwise.

16 8. Headings. The headings to the paragraphs of this Agreement are inserted for
17 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
18 the provisions hereof.

19 9. Binding. The Agreement is binding on all heirs, assigns, or successors in interest.

20 10. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
21 Agreement, he/she/it has relied solely on the statements set forth herein and the advice of their own
22 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Agreement
23 it has placed no reliance on any statement, representation, or promise of any other party, or any other
24 person or entity not expressly set forth herein, or upon the failure of any party or any other person or
25 entity to make any statement, representation, or disclosure of anything whatsoever. The Parties have
26 included this clause: (1) to preclude any claim that any party was in any way fraudulently induced to
27 execute this Agreement; and (2) to preclude the introduction of parol evidence to vary, interpret,
28 supplement, or contradict the terms of this Agreement.

1 11. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
2 this Agreement will be valid or binding unless it is in writing and signed by each of the Parties. The
3 waiver of any provision of this Agreement will not be deemed a waiver of any other provision. No
4 waiver by each of the Parties of any breach of, or of compliance with, any condition or provision of
5 this Agreement by another party will be considered a waiver of any other condition or provision or
6 of the same condition or provision at another time.

7 12. Full Integration. This Agreement is the final written expression and the complete and
8 exclusive statement of all the agreements, conditions, promises, representations, and covenant
9 among the Parties with respect to the subject matter hereof, and supersedes all prior or
10 contemporaneous agreements, negotiations, representations, understandings, and discussions
11 between and among the Parties, their respective representatives, and any other person or entity, with
12 respect to the subject matter covered hereby.

13 13. Governing Law. This Agreement will be governed by and construed in accordance
14 with California law. Each of the parties hereto consents to the jurisdiction of such court, and hereby
15 irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to
16 the maintenance of such action or proceeding in such court.

17 14. Counterparts. This Agreement may be executed in one or more separate counterparts,
18 each of which when so executed, shall be deemed an original. Such counterparts shall together
19 constitute a single document.
20

21 15. Effect Upon Future Proceedings. If Chime applies for any license, permit or
22 qualification under the Commissioner's current or future jurisdiction, or are the subject of any future
23 action by such agency to enforce this Agreement, then the subject matter hereof shall be admissible
24 for the purpose of such application(s) or enforcement proceedings(s).

25 16. Voluntary Agreement. Chime enters into the Agreement voluntarily and without
26 coercion and acknowledges that no promises, threats, or assurances have been made by the State, or
27 any officer or agent thereof, about the Agreement other than as reflected herein.

28 17. Notice. Any notices required under the Agreement shall be provided to

each party at the following addresses:

If to Chime to: Jonice Gray Tucker, Esq.
2001 M Street NW, Suite 500
Washington, DC 20036
(202) 349-8005
jtucker@buckleyfirm.com

John Kromer, Esq.
2001 M Street NW, Suite 500
Washington, DC 20036
(202) 349-8040
jkromer@buckleyfirm.com

If to Commissioner to: Paul Yee, Senior Counsel
Department of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, California 94104-4448
(415) 972-8544
Paul.Yee@dfpi.ca.gov

If to Chime, a courtesy copy shall also be provided to:

Kate Karas
General Counsel
Chime
77 Maiden Lane
San Francisco, CA 94108
kkaras@chime.com

18. Signatures. An electronic signature, or a faxed, photocopied, or scanned copy of an original signature, shall be deemed the same as an original signature.

19. Public Record. Chime acknowledges that this Agreement shall be a matter of public record.

20. Effective Date. The Agreement shall become final and effective when signed by all Parties and delivered by the Commissioner or his assigns to Chime’s counsels of record via e-mail at: jtucker@buckleyfirm.com and jkromer@buckleyfirm.com.

21. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Agreement and undertake the obligations set forth

herein.

IN WITNESS WHEREOF, the Parties hereto have approved and executed the Agreement on the dates set forth opposite their respective signatures.

Dated: March 29, 2021

MANUEL P. ALVAREZ
Commissioner of Financial Protection and Innovation

By _____

MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: March 29, 2021

CHIME FINANCIAL, INC.

By _____

Kate Karas
General Counsel