

## *In re SVB Financial Group Securities Litigation*

**COURT:** United States District Court for the Northern District of California  
**CASE NUMBER:** 23-cv-01097  
**CLASS PERIOD:** 01/22/2021 - 03/10/2023  
**CASE LEADERS:** Salvatore J. Graziano, Gerald H. Silk, Hannah Ross, Jeroen van Kwawegen, Avi Josefson, Jonathan D. Uslaner, Scott R. Foglietta, Jesse L. Jensen  
**CASE TEAM:** Emily A. Tu, Mathews R. de Carvalho, Jasmine Cooper-Little

This is a securities class action filed on behalf of (i) all persons and entities who purchased or otherwise acquired the common stock of Silicon Valley Bank Financial Group, the parent company of Silicon Valley Bank (“SVB” or the “Bank”) between January 21, 2021 and March 10, 2023, inclusive (the “Class Period”), and were damaged thereby; and (ii) all persons or entities who purchased or acquired SVB securities in or traceable to SVB’s securities offerings completed on or about February 2, 2021, March 25, 2021, May 13, 2021, August 12, 2021, October 28, 2021, and April 29, 2022 (collectively, the “Offerings”), and were damaged thereby. The action alleges violations of the Exchange Act of 1934 and violations of the Securities Act of 1933 against certain of SVB’s senior executives, members of the Bank’s Board of Directors, the underwriters of SVB’s public offerings, and the Bank’s auditing firm KPMG, LLP (collectively, “Defendants”). The Honorable James Donato is presiding over this case.

On April 7, 2023, Bernstein Litowitz Berger & Grossmann LLP (“BLB&G”) filed a class action lawsuit for violations of the federal securities laws in the U.S. District Court for the Northern District of California, captioned *City of Hialeah Employees’ Retirement System, Asbestos Workers Philadelphia Welfare and Pension Fund, and Heat & Frost Insulators Local 12 Funds v. Becker*, No. 3:23-cv-1697 (N.D. Cal.). On November 30, 2023, the Court appointed Lead Plaintiffs and approved BLB&G to serve as co-lead counsel. Lead Plaintiffs Norges Bank and Sjunde AP-Fonden and Additional Plaintiffs Asbestos Workers Philadelphia Welfare and Pension Fund, and Heat & Frost Insulators Local 12 Funds filed the amended, operative complaint on January 16, 2024. Defendants’ motion to dismiss is due February 15, 2024.

### **Background of Exchange Act Claims**

The Class Period begins on January 21, 2021, when SVB announced its full-year 2020 financial results, which included materially false or misleading statements as described herein. Just days later, on January 26, 2021, SVB announced that the Bank would raise \$1.25 billion from debt and preferred stock offerings. In the documents promoting those offerings, the Defendants also made a series of materially false representations about the Bank’s risk management, including specifically as to liquidity and interest rate risks. Over the following months and years during the Class Period, the Exchange Act Defendants repeated and amplified these false representations.

Contrary to the Exchange Act Defendants’ representations during the Class Period, SVB suffered from rampant weaknesses in its controls around risk management, liquidity, and interest rate risk. A Federal Reserve April 28, 2023 postmortem report analyzing the Bank concluded that these weaknesses were “linked directly” to its ultimate collapse at the end of the Class Period:

- **Risk Management:** SVB’s risk management controls suffered from “thematic, root cause deficiencies related to ineffective board oversight, the lack of effective challenge by the second line independent risk

function, insufficient third line internal audit coverage of the independent risk management function, and ineffective risk reporting”;

- **Liquidity:** SVB’s liquidity risk management suffered from “foundational shortcomings in three key areas”: liquidity stress testing, liquidity limits framework, and contingency funding plan; and
- **Interest Rate Risk:** SVB failed to design and utilize reliable models to measure SVB’s interest rate risk and, even then, ignored breaches to those deficient models.

The Exchange Act Defendants were well aware of these facts, having been warned directly and repeatedly about them throughout the Class Period. Beginning before the Class Period, the Federal Reserve identified and privately told the Exchange Act Defendants about the Bank’s control weaknesses and the threats they posed, including that SVB “was doing a bad job of ensuring that it would have enough easy-to-tap cash on hand in the event of trouble.” Despite the grave nature of these deficiencies—and SVB’s express obligation to fix them, particularly after having been warned by the Federal Reserve—the deficiencies persisted throughout the Class Period.

Within days after the end of the Class Period, SVB filed for bankruptcy. Congress, the DOJ, SEC, and other regulators commenced investigations into SVB’s collapse and the Exchange Act Defendants’ insider trading. Investigative journalists exposed how SVB’s CEO, Defendant Becker, and its CFO, Defendant Beck, personally knew—for years—of the very control failures they concealed and that ultimately caused SVB’s demise.

### **Background of Securities Act Claims**

Between February 2021 and April 2022, the Securities Act Defendants conducted a series of eleven offerings of SVB securities—including of common stock, preferred stock, and notes. Through these Class Period offerings, SVB collected \$8 billion from investors. These capital raises were achieved through offering documents that falsely and misleadingly presented the Bank’s controls to manage its risks, including specifically to safeguard against changes in interest rates and liquidity draws and to hold its tens-of-billions of dollars of “HTM” securities through their maturity dates (the “Offering Documents”).

Unknown to investors, the Offering Documents were replete with false and misleading statements and omitted material facts. Throughout the relevant period, and at the time of each of the Offerings, SVB suffered from widespread deficiencies in controls over risk management, liquidity, and interest rate risk. As the Federal Reserve specifically found, SVB’s risk management program “lack[ed] needed traction” and continuously “remain[ed] ineffective.” Further, the Bank lacked “effective ongoing performance monitoring programs for each model used,” had “no ongoing monitoring program” for 29 of the 30 models used, and made various assumptions in its modeling practices that were “not appropriately identified.” SVB’s models also lacked a “transparent and repeatable process for setting capital limits and buffers”—meaning that SVB’s stress testing results “d[id] not accurately reflect the [Bank’s] risk appetite.” Worse yet, SVB’s liquidity risk management suffered from “foundational shortcomings” in “key areas,” causing SVB to “underestimate the demands on available liquidity sources in stress.”

Through the Offerings, the Securities Act Defendants reaped significant financial benefits in fees, equity payments, and incentive compensation—none of which has yet been returned to investors. The investors in the Offerings, on the other hand, have suffered mightily. SVB’s securities, purchased at prices artificially inflated from the material false statements and omissions in the Offering Documents, are all now virtually worthless.

## Case Documents

- January 16, 2024 - Amended Class Action Complaint
- April 7, 2023 - Initial Complaint
- April 7, 2023 - PSLRA Notice