

Shareholder Alert: Bernstein Litowitz Berger & Grossmann LLP Announces the Filing of Securities Class Action Lawsuit Against Silvergate Capital Corporation

New York, NY – (Business Wire) – January 19, 2023 – Today, prominent investor rights law firm Bernstein Litowitz Berger & Grossmann LLP (“BLB&G”) filed a class action lawsuit in the U.S. District Court for the Southern District of California alleging violations of the federal securities laws by Silvergate Capital Corporation (“Silvergate” or the “Company”), certain of the Company’s senior executives, members of the Company’s Board of Directors, and the underwriters of Silvergate’s secondary public offerings (“SPOs”) of Class A common stock, conducted on or around January 20, 2021, and December 6, 2021. This complaint expands the claims that were asserted in a previously filed related securities class action pending against Silvergate captioned *Rosa v. Silvergate Capital Corp.*, No. 3:22-cv-01936-CAB-MSB (S.D. Cal.) and is brought on behalf all persons or entities that purchased or otherwise acquired Silvergate Class A common stock: (i) between November 11, 2020 and January 5, 2023, inclusive (the “Class Period”); and/or (ii) pursuant and/or traceable to either of the SPOs.

BLB&G filed this action on behalf of its client, International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, and the case is captioned *International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario v. Silvergate Capital Corp.*, No. 3:23-cv-00099 (S.D. Cal.). The complaint is based on an extensive investigation and careful evaluation of the merits of this case. A copy of the complaint is available on BLB&G’s website by clicking [here](#).

Silvergate’s Alleged Fraud

Headquartered in La Jolla, California, Silvergate is a California based holding company for its subsidiary bank, Silvergate Bank. Silvergate functions as a depository and lender for all major digital currency platforms, including prominent exchanges such as Coinbase, Genesis, and until recently, FTX. As a federally regulated banking institution, Silvergate is subject to strict regulations aimed at, among other things, identifying potential money laundering operations and other illegitimate activities.

The complaint alleges that throughout the Class Period, and in connection with the SPOs, Silvergate made false and misleading statements to investors concerning the Company’s robust compliance framework, as well as its anti-money laundering and customer identification programs. Silvergate also assured investors that it maintained sufficient liquidity to cover inflows and outflows on its platform. In truth, however, the Company’s lax compliance practices enabled its customers to engage in large scale criminal activities, including an egregious fraud perpetrated by FTX and Alameda Research and massive money laundering operations. As such, contrary to its representations, Silvergate was not “in compliance in all material respects with all applicable laws.” Silvergate also failed to maintain sufficient liquid assets to protect against a bank run and instead held illiquid securities.

The truth began to emerge on November 7, 2022, when Silvergate announced the sudden and unexplained demotion of its Chief Risk Officer, Tyler Pearson—the son-in-law of CEO Alan J. Lane. The Company replaced Pearson with Kathleen Fraher, who was then serving as Chief Operating Officer. Social media seized on this disclosure and noted Silvergate’s exposure to FTX and Alameda and questioned whether Pearson’s demotion indicated a lack of adequate oversight regarding Silvergate’s regulatory compliance.

Over the ensuing months, news continued to emerge concerning the Company’s lax compliance practices, which allowed its customers to engage in large scale criminal activities, including a massive fraud at FTX and money laundering operations. Then, on January 5, 2023, the Company disclosed that the collapse of FTX led to a run on Silvergate Bank, causing its deposits to decline by \$8.1 billion, or over 68%, over the three months ending in December 2022. This led to an acute liquidity crunch, which forced Silvergate to sell off illiquid securities for a loss of over \$700 million and borrow \$4.3 billion in short-term advances from Federal Home Loan Banks. All told, these disclosures caused a precipitous decline in the price of Silvergate shares.

The filing of this action does not alter the previously established deadline to seek appointment as Lead Plaintiff. Pursuant to the December 7, 2022 notice published in connection with the *Rosa* action, under the Private Securities Litigation Reform Act of 1995, investors who purchased or otherwise acquired Silvergate Class A common stock during the Class Period, and/or pursuant and/or traceable to either of the SPOs may, no later than February 6, 2023, seek to be appointed as Lead Plaintiff for the Class. Any member of the proposed Class may seek to serve as Lead Plaintiff through counsel of their choice or may choose to do nothing and remain a member of the proposed Class.

If you wish to discuss this action or have any questions concerning this notice or your rights or interests, please contact Scott R. Foglietta of BLB&G at 212-554-1903, or via e-mail at scott.foglietta@blbglaw.com.

About BLB&G

BLB&G is widely recognized worldwide as a leading law firm advising institutional investors on issues related to corporate governance, shareholder rights, and securities litigation. Since its founding in 1983, BLB&G has built an international reputation for excellence and integrity and pioneered the use of the litigation process to achieve precedent-setting governance reforms. Unique among its peers, BLB&G has obtained some of the largest and most significant securities recoveries in history, recovering over \$37 billion on behalf of investors. More information about the firm can be found online at www.blbglaw.com.

Contact

Scott R. Foglietta
Bernstein Litowitz Berger & Grossmann LLP
1251 Avenue of the Americas, 44th Floor
New York, New York 10020
(212) 554-1903
scott.foglietta@blbglaw.com