

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

Nov 19, 2024

AMENDED THIS BETWEEN: PURSUANT TO  
MODIFIÉ CE CONFORMÉMENT À

☒ RULE/LA RÈGLE 28.02 ( )

☒ THE ORDER OF Court of Appeal  
L'ORDONNANCE DU

DATED / FAIT LE Nov 19, 2024 JULIUS DI FILIPPO and DAVID CARON

Plaintiffs

Harsh & Harsh Attorneys  
SUPERIOR COURT OF JUSTICE  
COUR SUPÉRIEURE DE JUSTICE

and

THE BANK OF NOVA SCOTIA, SCOTIA CAPITAL (USA) INC., DEUTSCHE BANK AG, DEUTSCHE BANK SECURITIES LIMITED, DEUTSCHE BANK SECURITIES, INC., HSBC HOLDINGS PLC, HSBC BANK PLC., HSBC BANK CANADA, HSBC SECURITIES (CANADA) INC., HSBC USA INC., HSBC SECURITIES (USA) INC., UBS AG, UBS SECURITIES LLC, UBS BANK (CANADA), THE LONDON SILVER MARKET FIXING LIMITED, BARCLAYS PLC, BARCLAYS BANK PLC, BARCLAYS CAPITAL CANADA INC., BARCLAYS CAPITAL INC. BARCLAYS CAPITAL PLC, JPMORGAN CHASE & CO., J.P. MORGAN BANK CANADA, J.P. MORGAN CANADA, JPMORGAN CHASE BANK NATIONAL ASSOCIATION, MORGAN STANLEY CAPITAL GROUP INC., BANK OF AMERICA CORPORATION, and MERRILL LYNCH COMMODITIES INC.

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**FRESH AS AMENDED STATEMENT OF CLAIM**  
(Notice of Action issued April 15, 2016)

**CLAIM**

1. The plaintiffs claim on behalf of themselves and other members of the proposed Class (as defined in paragraph 16 below):

- (a) A declaration that the Fixing Bank Defendants, as defined below, conspired, agreed and/or arranged with each other to fix, maintain, increase, decrease, control, or

unreasonably enhance the price of silver during the Class Period (as defined in paragraph 16 below);

- (b) A declaration that some or all of the defendants conspired, agreed and/or arranged with each other to fix, maintain, increase, decrease, control, or unreasonably enhance the quoted bid-ask spreads used by participants in the silver market during the Class Period;
- (c) A declaration that some of all of the defendants manipulated the price of silver during the Class Period;
- (d) Damages or compensation in an amount not exceeding \$1,000,000,000 for:
  - (i) Loss and damage suffered as a result of conduct contrary to Part VI of the *Competition Act*, RSC 1985, c C-34 ("*Competition Act*");
  - (ii) Civil conspiracy;
  - (iii) Unjust enrichment;
  - (iv) Unlawful means tort; and
  - (v) Breach of contract;
- (e) Punitive, exemplary and aggravated damages in the amount of \$250,000,000;
- (f) Disgorgement of the revenues generated by the defendants;

- (g) An equitable rate of interest on all sums found due and owing to the plaintiffs and other class members or, in the alternative, pre- and post-judgment interest pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (“*Courts of Justice Act*”);
- (h) Investigative costs pursuant to section 36 of the *Competition Act* and costs of this proceeding on a full-indemnity basis pursuant to section 36 of the *Competition Act* and the *Courts of Justice Act*; and
- (i) Such further and other relief as this Honourable Court deems just.

## THE NATURE OF THE ACTION

2. This action arises from conspiracies among, and manipulative conduct engaged in by, the defendants to fix, raise, decrease, maintain, stabilize, control, or enhance unreasonably the price of silver and silver-related investment instruments, which include, without limitation: silver bullion and silver bullion coins, silver futures, shares of silver-focused ETFs, units of silver-focused mutual funds, silver certificates, silver leases, over-the-counter silver spot or forward transactions, and options on any of the foregoing (“**Silver Market Instruments**”) and to fix, raise, decrease, maintain, stabilize, control, or enhance unreasonably supra-competitive bid-ask spreads used by market participants in the silver market.

### *The Fixing*

3. Until August 14, 2014, The Bank of Nova Scotia, Deutsche Bank, and HSBC (the “**Fixing Bank Defendants**”) met privately on a secure conference call at 12:00 P.M. London time for what is known as the London Silver Fixing (hereafter the “**London Silver Fixing**” or “**Fixing**”). The Fixing produced a benchmark rate for silver, a price often agreed to be used in advance by buyers

and sellers of silver (the “**Fix price**”). The Fix price affected the spot market for silver which, in turn, affected the broader market of Silver Market Instruments.

4. The Fixing was supposed to start and end with open competition. The process was supposed to begin with the current, supposedly competitive, “spot” price for silver. From that starting point, a competitive auction was to take place, the equilibrium of which would be published as the Fix price. The Fix price is the benchmark price for silver adopted at the Fixing. The Fix price is used directly in contracts for the purchase and sale of silver that adopt the Fix price as the price term for any given day.

5. Beginning at least as early as 2004 and continuing through to December 31, 2016, the defendants conspired with each other to fix, raise, decrease, maintain, stabilize, control, or enhance unreasonably prices in the silver market. This was accomplished through daily conspiratorial communications under the guise of the arcane Fixing process, which provided a veneer of false legitimacy for collusion (the “**Fixing Communications**”).

***Manipulation of Bid-Ask Spreads and Silver Market Instruments***

6. In addition to manipulating the Fixing, some or all of the defendants conspired with each other to fix, raise, decrease, maintain, stabilize, control, or enhance unreasonably bid-ask spreads of Silver Market Instruments in the silver market throughout the trading day. This was also done to enhance the profits of some or all of the defendants at the expense of the Class Members, as defined below.

7. Market makers of Silver Market Instruments generate revenue by buying a particular instrument at a lower price than the price at which they sell it. The difference between the price at



which a market maker is willing to buy and subsequently sell a Silver Market Instrument is known as the “bid-ask spread.” In order to fix, widen, control, maintain or enhance unreasonably bid-ask spreads, some or all of the defendants would share “order flow information” about large current or incoming trades and the contents of their order books, including trigger prices of client stop-loss orders with the other conspirators. Combined with the Fixing Bank Defendants’ advance knowledge of the Fix price, by understanding order flow, it was possible for the defendants to manipulate and fix their bid-ask spreads in the silver market to generate supra-competitive profits.

8. In furtherance of the conspiracy, agreement or arrangement, during the Class Period, senior executives, traders, and employees of the defendants, acting in their capacities as agents for the defendants: (i) fixed, maintained, increased, decreased, controlled, and unreasonably enhanced the price of physical silver and Silver Market Instruments as well as bid-ask spreads used by participants in the silver market; and (ii) communicated secretly using chat rooms, emails, text messages, telephone, and other means to share confidential customer information and to coordinate trading strategies to control or manipulate the price of silver and maintain supra-competitive bid-ask spreads.

9. Numerous criminal and regulatory investigations are underway concerning the collusion amongst the defendants, including in the United States, Switzerland, and Germany.

10. On August 15, 2014, an independent administrator was put in place to operate and supervise the auctions that result in the determination of the Fix price for silver. As yet, no curative market mechanism has been introduced to address the conduct engaged in by some or all of the defendants to fix, widen, control, maintain or enhance unreasonably bid-ask spreads in the silver market.

### ***Spoofing***

11. In addition, some or all of the defendants engaged in “spoofing”, which involved placing bids and offers for silver and Silver Market Instruments with the intention of cancelling those orders before execution.

12. By placing these false bids or offers, a false impression of buying or selling interest was created and the price of silver and Silver Market Instruments was distorted, allowing the spoofing defendants to execute genuine bids or offers of silver and Silver Market Instruments at favourable prices that did not reflect prices set by legitimate forces of supply and demand.

13. The defendants’ longstanding conspiracy and pattern of manipulative conduct reflected a culture of increasing profits at the expense of the Class and the very integrity of the silver market. The defendants’ conspiracy to fix prices and manipulative conduct in the silver market impacted the pricing of Silver Market Instruments, resulting in loss and damage for the Class. The illegal acts alleged herein and particularized primarily in paragraphs 87-134 below, are collectively referred to as the “**Manipulative Conduct**”.

### **THE PLAINTIFFS AND THE CLASS**

14. The plaintiff, Julius Di Filippo (“**Di Filippo**”), is an individual residing in Toronto, Ontario. During the Class Period, as defined below, Di Filippo transacted in several Silver Market Instruments whose price was based on prices that were negatively impacted by the manipulation of the Fix price, bid-ask spreads, and other manipulative conduct by the defendants. These Silver Market Instruments included, but are not limited to: silver bullion, silver bullion coins, the Sprott Silver Bullion Fund and the Sprott Physical Silver Trust.

15. The plaintiff, David Caron (“**Caron**”), is an individual residing in Kelowna, British Columbia. During the Class Period, as defined below, Caron transacted in several Silver Market Instruments whose price was based on prices that were negatively impacted by the manipulation of the Fix price, bid-ask spreads, and other manipulative conduct by the defendants. These Silver Market Instruments included, but are not limited to: silver bullion, silver bullion coins, and the Horizons Beta Pro Comex Silver Bull Plus ETF.

16. The plaintiffs seek to represent the following proposed class (the “**Class**” or the “**Class members**”):

*All persons or entities in Canada who, between January 1, 2004 and December 31, 2016 (the “**Class Period**”) transacted in a Silver Market Instrument<sup>1</sup> either directly or indirectly through an intermediary, and/or purchased or otherwise participated in an investment or equity fund, mutual fund, hedge fund, pension fund or any other investment vehicle that transacted in a Silver Market Instrument. Excluded from the class are the defendants, their parent companies, subsidiaries, and affiliates.*

<sup>1</sup> *“Silver Market Instrument” includes but is not limited to: silver bullion or silver bullion coins, silver futures contracts traded on an exchange operated in Canada, shares in silver ETFs, silver call options traded on an exchange operated in Canada, silver put options traded on an exchange operated in Canada, over-the-counter silver spot or forward transactions or silver call options, over-the-counter silver put options, leases for silver.*

## **THE DEFENDANTS**

17. The defendants are jointly and severally liable for the actions of, and damages allocable to, their co-conspirators, including unnamed co-conspirators.

18. Where a particular entity within a corporate family of the defendants engaged in anti-competitive conduct, it did so on behalf of all entities within that corporate family. The



individual participants in the conspiratorial meetings and discussions entered into an agreement on behalf of, and reported these meetings and discussions to, their respective corporate families. The individual participants engaging in manipulative conduct did so on behalf of their respective corporate families.

19. Various persons, partnerships, sole proprietors, firms, corporations, and individuals not named as defendants in this action, the identities of which are presently unknown, have participated as co-conspirators with the defendants in the unlawful behaviour alleged herein, and have performed acts and made statements in furtherance of the conspiracy or in furtherance of the anti-competitive conduct.

20. The terms “defendant” or “defendants” as used herein includes, in addition to those named specifically below, all of the named defendants’ predecessors, including those merged with or acquired by the named defendants and each named defendant’s wholly owned or controlled subsidiaries or affiliates that played a material role in the unlawful acts alleged herein.

***The Bank of Nova Scotia Defendants***

21. The defendant, **The Bank of Nova Scotia**, is a corporation organized and existing under the laws of Canada with its principal place of business in Toronto, Canada. The Bank of Nova Scotia is regulated under the *Bank Act*, S.C. 1991, c. 46 (the “***Bank Act***”) as a Schedule I bank.

22. The defendant, **Scotia Capital (USA) Inc.**, is a wholly-owned subsidiary of the Bank of Nova Scotia with its principal place of business in New York, New York. It is a registered broker dealer and executes client trades in a variety of Silver Market Instruments.



23. The businesses of each of the defendants The Bank of Nova Scotia and Scotia Capital (USA) Inc. are inextricably interwoven with that of the other and each is the agent of the other for the purposes of the Manipulative Conduct. The defendants, The Bank of Nova Scotia and Scotia Capital (USA) Inc., are collectively referred to as “**BNS**.”

24. BNS operates a trading platform called Scotia iTRADE (“**iTRADE**”) for trading, among other things, commodities. BNS clients can trade silver derivatives and purchase silver certificates and silver bars on the iTRADE system. BNS also conducts proprietary trading in the silver market. During the Class Period, BNS was a member and owner of the London Silver Market Fixing Ltd., a market-making and clearing member of the London Bullion Market Association (“**LBMA**”), and entered directly into silver spot, forward, option and Silver ETF share transactions with members of the Class.

***Deutsche Bank Defendants***

25. The defendant, **Deutsche Bank AG**, is a corporation organized and existing under the laws of Germany with its principal place of business in Frankfurt, Germany and branches and offices in Toronto, Ontario. Deutsche Bank AG is regulated in Canada under the *Bank Act* as a Schedule III bank.

26. The defendant, **Deutsche Bank Securities Limited**, is a wholly owned subsidiary of Deutsche Bank AG with its principal place of business in Toronto, Ontario.

27. The defendant, **Deutsche Bank Securities Inc.**, is a wholly owned subsidiary of Deutsche Bank AG with its principal place of business in New York, New York.

28. The businesses of each of the defendants Deutsche Bank AG, Deutsche Bank Securities Limited and Deutsche Bank Securities Inc. are inextricably interwoven with that of the other and each is the agent of the other for the purposes of the Manipulative Conduct. The defendants, Deutsche Bank AG, Deutsche Bank Securities Limited and Deutsche Bank Securities Inc., are collectively referred to as “**Deutsche Bank.**”

29. Deutsche Bank executes client trades in the physical silver market, on exchanges, in silver derivatives, and in shares of Silver ETFs. Deutsche Bank also conducts proprietary trading in the silver market, and provides an electronic platform named “Autobahn” for trading silver products. During the Class Period, Deutsche Bank was a member and owner of the London Silver Market Fixing Ltd., a market-making and clearing member of the LBMA, and entered directly into silver spot, forward, option and Silver ETF share transactions with members of the Class.

***HSBC Defendants***

30. The defendant, **HSBC Holdings plc**, is a company organized and existing under the laws of the United Kingdom with its principal place of business in London, England and subsidiaries in Canada.

31. The defendant, **HSBC Bank plc**, is a wholly owned subsidiary of HSBC Holdings plc with its principal place of business in London, England.

32. The defendant, **HSBC Bank Canada**, is regulated in Canada under the *Bank Act* as a Schedule II bank and has its head office in Vancouver, British Columbia.

33. The defendant, **HSBC Securities (Canada) Inc.**, is a wholly owned subsidiary of HSBC Bank Canada headquartered in Toronto, Ontario.

34. The defendant, **HSBC USA Inc.**, is a wholly owned subsidiary of HSBC Bank plc with its principal place of business in New York, New York.

35. The defendant, **HSBC Securities (USA) Inc.**, is a wholly owned subsidiary of HSBC Bank plc with its principal place of business in New York, New York.

36. The businesses of each of the defendants HSBC Holdings plc, HSBC Bank plc, , HSBC Bank Canada, HSBC Securities (Canada) Inc., HSBC USA Inc. and HSBC Securities (USA) Inc. are inextricably interwoven with that of the other and each is the agent of the other for the purposes of the Manipulative Conduct. The defendants, HSBC Holdings plc, HSBC Bank plc, HSBC Bank Canada, HSBC Securities (Canada) Inc., HSBC USA Inc. and HSBC Securities (USA) Inc., are collectively referred to as “**HSBC.**”

37. HSBC executes client trades in the physical silver market, on exchanges, in silver derivatives, and in shares of Silver ETFs. During the Class Period, HSBC was a member and owner of the London Silver Market Fixing Ltd., a market-making and clearing member of the LBMA, and entered directly into silver spot, forward, option and Silver ETF share transactions with members of the Class.

#### ***UBS Defendants***

38. The defendant, **UBS AG**, is a Swiss company based in Basel and Zurich, Switzerland. UBS AG is regulated in Canada under the *Bank Act* as a Schedule III bank.

39. The defendant **UBS Securities LLC**, a wholly owned subsidiary of UBS AG, is a Delaware company with its principal place of business in Stamford, Connecticut.

40. The defendant, **UBS Bank (Canada)**, is regulated in Canada under the *Bank Act* as a Schedule II bank and has its head office in Toronto, Ontario.

41. The businesses of each of the defendants UBS AG, UBS Securities LLC and UBS Bank (Canada) are inextricably interwoven with that of the other and each is the agent of the other for the purposes of the Manipulative Conduct. The defendants, UBS AG, UBS Securities LLC and UBS Bank (Canada), are collectively referred to as “**UBS**.”

42. UBS executes client trades in the physical silver market, on exchanges, in silver derivatives, and in shares of Silver ETFs. UBS operates electronic platforms for trading silver products. UBS also conducts proprietary trading in the silver market and operates, sponsors, manages, and trades shares of Silver ETFs. During the Class Period, UBS was a market-making and clearing member of the LBMA, and entered directly into silver spot, forward, option, and Silver ETF share transactions with members of the Class.

#### ***Barclays Defendants***

43. The defendant, **Barclays PLC**, is a British public limited company headquartered in London, England.

44. The defendant, **Barclays Bank PLC**, is a wholly owned subsidiary of Barclays PLC with its principal place of business in New York, New York. In Canada, Barclays Bank PLC is regulated under the *Bank Act* as a Schedule III bank.

45. The defendant, Barclays **Capital PLC**, is a wholly owned subsidiary of Barclays PLC with its principal place of business in London, England.



46. The defendant, **Barclays Capital Inc.**, is a wholly owned subsidiary of Barclays PLC with its principal place of business in New York, New York.

47. The defendant, **Barclays Capital Canada Inc.**, is a wholly owned subsidiary of Barclays Bank PLC headquartered in Toronto, Ontario and incorporated under the laws of Canada.

48. The businesses of each of the defendants Barclays PLC, Barclays Bank PLC, Barclays Capital Inc. and Barclays Capital Canada Inc. are inextricably interwoven with that of the other and each is the agent of the other for the purposes of the Manipulative Conduct. The defendants, Barclays PLC, Barclays Bank PLC, Barclays Capital Inc. and Barclays Capital Canada Inc., are collectively referred to as “Barclays.”

49. Barclays executes client trades in the physical silver market, on exchanges, in silver derivatives, and in shares of Silver ETFs, and also operates a system called BARX for commodities trading. Clients of Barclays can make orders at the London Silver Fixing price or trade silver derivatives on the BARX system. Up until 2012, Barclays also conducted proprietary trading in the silver market. During the Class Period, Barclays was a market-making and clearing member of the LBMA, and entered directly into silver spot, forward, option and Silver ETF share transactions with members of the Class.

#### ***JPMorgan Defendants***

50. The defendant, **JPMorgan Chase & Co.**, is a Delaware corporation headquartered in New York, New York.

51. The defendant, **J.P. Morgan Bank Canada**, is regulated in Canada under the *Bank Act* as a Schedule II bank and has its head office in Toronto, Ontario.

52. The defendant, **J.P. Morgan Canada**, is regulated in Canada under the *Bank Act* as a Schedule II bank and has its head office in Toronto, Ontario. J.P Morgan Canada is currently in liquidation.

53. The defendant, **JPMorgan Chase Bank National Association**, is regulated in Canada under the *Bank Act* as a Schedule III bank.

54. The businesses of each of the defendants JPMorgan Chase & Co, J.P. Morgan Bank Canada, J.P. Morgan Canada, and JPMorgan Chase Bank National Association are inextricably interwoven with that of the other and each is the agent of the other for the purposes of the Manipulative Conduct. The defendants, JPMorgan Chase & Co, J.P. Morgan Bank Canada, J.P. Morgan Canada, and JPMorgan Chase Bank National Association, are collectively referred to as “JPMorgan”.

#### ***Morgan Stanley***

55. The defendant, **Morgan Stanley Capital Group Inc. (“Morgan Stanley”)**, is a Delaware corporation headquartered in New York, New York.

#### ***Bank of America and Merrill Lynch***

56. The defendant, **Bank of America Corporation (“BAC”)**, is a multinational investment bank and financial services company headquartered in Charlotte, North Carolina. It has a central hub in Toronto.

57. The defendant, **Merrill Lynch Commodities Inc. (“Merrill Lynch”)**, operated global commodities trading business that included the trading of precious metals futures contracts and related products. In 2008, it became an indirectly held, wholly owned subsidiary of BAC.

58. The businesses of each of the defendants BAC and Merrill Lynch are inextricably interwoven with that of the other and each is the agent of the other for the purposes of the Manipulative Conduct.

***London Silver Market Fixing Limited***

59. The defendant, **The London Silver Market Fixing Limited (“LSMF”)**, is a private company organized and existing under the laws of the United Kingdom with its principal place of business in London, England. LSMF is owned and controlled by BNS, Deutsche Bank and HSBC.

60. At all material times, LSMF was part and parcel of the defendants’ conspiracy as the LSMF is a shell for the operation of the Fixing and functioned as a vehicle for the defendants’ conspiracy and as an agent for the Fixing Bank Defendants.

**FACTUAL BACKGROUND**

***The London Silver Fixing***

61. The Fixing was originally established to determine a daily benchmark price for an ounce of silver at a predetermined time during the London trading day. In the physical silver market there is no central price at any given time. Instead, all of the silver market-making banks, including the Fixing Bank Defendants, and dealers provide competing bid and ask quotes directly to their clients and customers. The Fix price was supposed to provide buyers and sellers an objective benchmark

that isolated both parties from the noise of the trading day, or the bias of any one market maker. The Fix price is of utmost importance to the market for Silver Market Instruments because movements in the Fix price are immediately and consistently reflected in movements in the values of Silver Market Instruments.

62. The Fixing Bank Defendants are one type of “market makers” in the silver market, meaning that each stands ready to buy and sell silver on a regular and continuous basis. The Fixing Bank Defendants at any given time have silver orders on their own behalf (i.e., proprietary trading), their clients’ behalf (i.e., brokerage trading), or frequently some of each.

63. Client orders will generally be “limit orders,” meaning an order to buy silver at no more than a specific price or to sell silver at no less than a specific price. A buy limit order is executed unless the price is above a pre-set value. A sell limit order is executed unless the price is below a pre-set value.

64. Until August 14, 2014, the contemporary London Silver Fixing took place each business day when the three Fixing Bank Defendants met on a secure conference call at 12:00 P.M. London time to fix the price of physical silver. During the Class Period, the Fixing was administered by LSMF, the members of which are the Fixing Bank Defendants, with the exception of Defendant Deutsche Bank, which was a member until resigning its seat in May 2014 after initially trying but failing to sell its seat as a Fixing member. Later, Defendant Deutsche Bank announced its intention to sell its precious metals trading business.

65. During the Class Period, the lead Fixing Bank Defendant (known as the “**Chair**”) began the fixing process by proposing a price near the current silver spot price. The Chair position rotated



among Fixing Bank Defendants each year. No other silver market participants were allowed to participate in the daily auction.

66. The participants then simulated the result of trading at that price as follows: First, each of the Fixing Bank Defendants looked at its limit orders and determined how many were eligible to trade at that price. They considered how much silver their proprietary trading desk would trade at the same price. The Fixing Bank Defendants then stated a single value, the net amount (in ounces) of silver they wished to buy or sell. Based on these orders, each Fixing Member declared how many bars of silver (around 1,000 troy ounces each) it was willing to buy or sell at the opening price in 50-bar increments.

67. After each participant placed its orders, the transactions were netted against each other. If the amount of buying interest was equal to the amount of selling interest the Fixing was complete. Otherwise, the Chairman would adjust the price upward or downward and the process would be repeated until the total amount of silver bought was within 300 bars of the total amount sold.

68. If for some reason this 300-bar threshold could not be reached, the Chairman could unilaterally fix the price of silver and the Fixing Members would divide the excess supply or demand pro-rata among themselves. For example, if there was one buyer and two sellers and the buyer was willing to purchase 300 bars more than what was being offered, the buyer would reduce its buying interest by 100 bars and each of the sellers would increase its selling interest by 100 bars, collectively absorbing the 300 bar difference. Once this price-setting ritual was completed, the final Fix price was published to the market.

69. At any time, a Fixing Bank Defendant, or their underlying customers, could increase, decrease or withdraw a previously-declared selling or buying order or place a completely new

order. In such a circumstance, if the Fixing Bank Defendant required a short pause in order to enable it to recalculate their overall level of interest, then the Fixing Bank Defendant could call “flag,” which brought the Fixing to a temporary halt. The Chair could not fix the price while a flag prevailed.

70. The Fixing Bank Defendants were in direct, private communication with each other and other bullion banks concerning the price of silver at least once each day as the Fixing occurred. As such, the Fixing Bank Defendants were afforded a unique opportunity for daily communications and collusions. In any other setting, a daily meeting between a small group of horizontal competitors would have immediately raised suspicion. But here, due to the anachronism of the longstanding tradition of the Fixing, the Fixing Bank Defendants were able to form the core of a conspiracy, as they could coordinate daily without it seeming out of place. The tradition of the Fixing provided a veneer of legitimacy to what was an unlawful price fixing conspiracy.

71. No communications, meeting minutes, or other records of what occurred during the “auction” – such as how the “bids” played out during the course of the purported auction – were kept as a matter of course.

72. In addition to the illicit activity engaged in by the Fixing Bank Defendants during the Fixing, some or all of the defendants conspired with each other and other co-conspirators to maintain supra-competitive bid-ask spreads in the silver market throughout the trading day and around the Fix by sharing order flow information with each other. For example, in one instance, after a customer refused to trade at a five-cent wide spread with Deutsche Bank, UBS agreed to

enforce that spread by offering a worse price, explaining that “if they call me in 1 lac<sup>1</sup> i will quote 7-8 cents.” On another occasion, on August 22, 2007, a Deutsche Bank Silver Fixing trader-submitter and an unknown trader at third party silver market maker Fortis Bank planned to enter into manipulative transactions based on inside information regarding Deutsche Bank’s silver order flow and intention to sell silver during the Fix:

Deutsche Bank Trader-Submitter: SEEMS SOME BUYING PRE SIL FIX IN THE SYSTEMS

Fortis Trader: WE’LL SELL 70’S TOGETHER

Deutsche Bank Trader-Submitter: AT THIS RATE MATE WE CAN SELL 11.80’S BOTH MKTS ARE AS THIN AS IVE EVER SEEN THEM IN MY 5 YEARS OF TRADING THESE

Deutsche Bank Trader-Submitter: ILL BE A LIGHT SELLER ON THE FIX SO WATCH YOUR SCREEN

73. The Fixing Bank Defendants administered the Fixing themselves until recently through LSMF, with no oversight by any independent organization. Indeed, the Fixing was carried out, quite deliberately, in such a way as to ensure that the “cover” the Fixing provided to defendants’ conspiratorial meetings remained hidden.

### ***The London Bullion Market***

74. By the late 19<sup>th</sup> century, London developed as the centre of the global precious metals trade. The silver trade that takes place in London is known as the London Bullion Market. Historically, the participants in this London silver market compiled lists of accredited smelters and assayers whose silver bars they would accept without question, in settlement against transactions conducted between each other and with other acceptable counterparties. Such bars became known

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<sup>1</sup> A “lac” or “lakh” is a unit in the Indian numbering system that equals one hundred thousand troy ounces (one troy ounce is 31.10348 grams) of a precious metal.



as London Good Delivery, which is the standard for silver used to settle transactions in the London Bullion Market. Today, London Good Delivery silver is traded in troy ounces.

75. The London Bullion Market does not have a central clearing house but instead operates on an over-the-counter basis. This trading activity is the London Bullion Market, which comprises five functions: (1) silver clearing by LBMA clearing members (2) silver vaulting including by some of the defendants; (3) the London Good Delivery system and rules; (4) pricing by LBMA market-makers including all of the defendants; and (5) silver accounts held by all of the defendants and others.

76. The Fixing, operated by the Fixing Bank Defendants via LSMF, is an integral part of the London Bullion Market and global silver markets. The LBMA holds out the Fix prices as a benchmark that is “globally accepted” as the basis for pricing a variety of precious metals transactions and used by “clients around the world [who] wish to buy or sell precious metals” and Silver Market Instruments.

### ***The Various Silver Market Instruments***

77. ***Spot contracts.*** Some of the international demand for silver is met through spot contracts on the over-the-counter segment of the market for Silver Market Instruments. A spot contract is a contract where a buyer and seller agree to settlement (payment and delivery) on a spot date, which is normally two business days after the trade date. The settlement price is called the spot price. Sales at “spot” are often tied or keyed to the Fix on the day of the sale.

78. ***Silver derivatives.*** There is also a large market consisting of silver derivatives, financial instruments whose value depends on the underlying price of physical silver on the spot market, and which are often pegged to the London Fixing (i.e., settled by reference to the Fix price).



79. Silver derivatives include silver futures, forwards, and options contracts. A silver forward contract is a bilateral agreement for the purchase or sale of an agreed amount of silver at a specified date in the future. A silver futures contract is similar to a futures contract, but with standardized terms and daily mark-to-market cash flow requirements. These types of contract can be traded over-the-counter (a forward) or on an exchange (a future).

80. *Exchange-traded funds (“ETFs”)* issue securities that track an industry index (e.g., the S&P 500), a commodity (e.g., gold or silver), or a basket of assets in the same way as an index fund, but which are shares that trade on an exchange. Securities issued by ETFs experience price changes throughout the day reflecting supply and demand as they are purchased and sold, where that supply and demand is heavily influenced by supply and demand within the industry, or for the commodity or assets that the ETF tracks. There are ETFs that invest only in silver bullion and whose shares are linked directly to silver bullion prices (“**Silver ETFs**”).

81. *Mutual Funds.* There are many mutual funds that transact in various Silver Market Instruments based on the investment strategy set by fund managers. Typically, the net asset value of the mutual funds is based on the spot price of silver.

82. *Silver Certificates.* These are certificates that are issued to holders of silver and that provide a vehicle to invest in silver without having the physical metal. The value of silver certificates is based on the spot price of silver.

83. *Silver Leases.* These are transactions that typically occur between bullion banks and central banks whereby the central bank will loan silver to the bullion bank at a certain rate of interest. The bullion banks will then sell the silver on the open market and buy treasuries in return. Since at some point the bullion banks must return the leased silver to the central bank, they are

exposed to the risk that if prices in the silver market rise, they will have to buy back the silver they leased at a higher price than that at which they sold it. As such, in order to hedge the risk of this occurring, bullion banks will buy silver futures.

***The Fixing Impacts the Prices of Silver Market Instruments***

84. Manipulating the Fixing directly impacts the price the defendants would pay for silver, and directly impacts the cash flows for Fix price-linked derivatives. Because of the prominence of the Fix price as a measure of silver prices generally, such manipulation presented the opportunity to profit on other Silver Market Instruments as well. Foreknowledge as to an upcoming movement in the price of silver would create numerous opportunities to profit in many different outlets for Silver Market Instruments. This is because Silver Market Instruments often move together with the Fix price.

85. The Fix price also impacts the price of silver futures and options on these futures contracts, and vice versa. This is because the price of derivatives and the spot silver prices closely correlate to each other. Changes in the price in one will be almost immediately reflected in the other.

86. Because the futures price is essentially an expectation of what the spot price will be for the underlying futures contract at maturity, silver futures and physical prices are very closely correlated.

***Maintaining Supra-Competitive Bid-Ask Spreads and Other Manipulative Conduct affects the price of Silver Market Instrument***

87. The defendants conspired to fix bid-ask spreads in the silver market. Maintaining supra competitive bid-ask spreads impacts the price of Silver Market Instruments whose price is based on the spot price of silver. Combined with the Fixing Bank Defendants' advance knowledge of the

Fix price, by understanding order flow, the defendants manipulated and fixed their bid-ask spreads in the silver market to generate supra-competitive profits.

88. For example, the chat below took place on December 28, 2011, involving a Barclays trader and a Deutsche Bank trader. It depicts an anticompetitive agreement between the Defendants Deutsche Bank and Barclays to fix the spread at 7 cents for 50,000 ounces of silver and 10 cents for 1 lac:

Deutsche Bank Trader: bro i think we make 50k 7 cents

Deutsche Bank Trader: 1 lac 10cents

Barclays Trader: today?

Barclays Trader: yea

Deutsche Bank Trader: ok cause i was 7 cents

Deutsche Bank Trader: think is too tight

Barclays Trader: bro yday i made 300 oz \$1

Deutsche Bank Trader: nice

89. Such practices were common amongst the defendants. They routinely discussed and agreed upon what spread they would quote in the silver market to fix prices at artificial, anticompetitive levels throughout the day. For example:

**July 4, 2008:**

Barclays Trader: hope noone calls today im gonna have no idea

Deutsche Bank Trader-Submitter: just be wide

Barclays Trader: wider u mean

Deutsche Bank Trader-Submitter: hehehehehe

**March 4, 2011:**

UBS Trader: how wide would u quote 5 lacs silver?

Deutsche Bank Trader: 10c?

Deutsche Bank Trader: u>?

USB Trader: depends who

USB Trader: not dodgy i will make whatever cause i can hold risk

USB Trader: but then 90% dodgy

Deutsche Bank Trader: so 12-15c?

...

USB Trader: 10 cents is ok i think

Deutsche Bank Trader: haha

Deutsche Bank Trader: 34/35

Deutsche Bank Trader: 5 lacs

Deutsche Bank Trader: lol

Deutsche Bank Trader: 34.0/35.0

USB Trader: yeah

**August 24, 2011:**

Barclays Trader: 12 17

Deutsche Bank Trader: zz

Barclays Trader: still pass

Deutsche Bank Trader: clown lau 1 lac? . . . 5cent ok i thought

Barclays Trader: its freakin 5 cents now leh

Deutsche Bank Trader: too tight

Deutsche Bank Trader: lol

Barclays Trader: ya slightly less than a lac . . . i mean for them its like dude deal at this spread or fk off

**October 7, 2011:**

Deutsche Bank Trader-Submitter: i have no idea what id quote silver . . . they ask in 20k what do you make?? . . .

HSBC Trader: id be 1.5 5k

HSBC Trader: been 2 bux for anything over 10

Deutsche Bank Trader-Submitter: makes sense



Deutsche Bank Trader-Submitter: k thanks for info mate

Deutsche Bank Trader-Submitter: ill be inline

Deutsche Bank Trader-Submitter: with u

HSBC [Trader A]: no thank u

90. The defendants' traders "front run" on customer information when they receive customer orders that could move the silver market and then trade their own firm's proprietary positions prior to executing their customers' market-moving trades. Such orders give traders information about the direction in which the silver market will move. The traders use this information to take positions that benefit the defendants to the detriment of the Class.

91. Absent collusion, a defendant "front running" the silver market would still face the risk that another defendant with a larger position could trade in the opposite direction at the same time. If this were to happen, the defendant's strategy would backfire, and the defendant would, in industry jargon, get "run over."

92. To avoid the risk of getting run over, the defendants agreed to "front run" together by sharing aggregate customer orders and agreeing to coordinate the sequencing of their own trades to their advantage and to the detriment of the Class.

93. In addition, and as described further below, the defendants engaged in spoofing which distorted the price of silver and Silver Market Instruments.

## **THE CONSPIRACY AND OTHER MANIPULATIVE CONDUCT**

### ***Defendants Engaged in Manipulative Conduct to Control and Fix Prices and Supply of Silver and Silver Market Instruments***

94. Beginning at least as early as January 1, 2004 and continuing until at least December 31, 2016, the defendants manipulated the Fixing so that the Fix price was at artificial levels compared

to what competitive market forces would have dictated. This not only caused artificial prices in the spot market, but also artificial prices for both futures and options, for Silver ETFs, and for other Silver Market Instruments.

95. The defendants' manipulation of the silver benchmark was intended to and did directly affect the price of physical silver, silver futures, Silver ETF shares and other Silver Market Instruments, causing the Class losses and damage. The defendants had control over the Silver markets and the Silver Market Instruments that were tied to the Fix price.

96. The defendants' manipulation of the Fix price affected the prices at which Class members purchased or otherwise transacted in Silver Market Instruments with the defendants. The defendants' manipulation of the Fix price also directly affected the prices of Silver Market Instruments that members of the Class purchased from or otherwise transacted with non-defendants in the following fashion. The manipulated Fix price was incorporated in countless Silver Market Instruments and silver derivatives whose value was settled by reference to the Fix price.

97. The defendants' manipulation of the Fix price allowed non-defendants to trade at the same manipulated Fix price. Those non-defendants did in fact sell or otherwise trade Silver Market Instruments at the same manipulated Fix price.

98. The Defendants' manipulation of the Fix price caused the Class loss. But for the Defendants' manipulation of the Fix price, the non-defendants would not have sold or otherwise traded Silver Market Instruments at the manipulated Fix price.

99. The defendants were also large participants in the market for physical silver. Advance knowledge of downward movements at the Fixing allowed the defendants to buy silver cheaper than they would have been able to absent collusion, thereby profiting at the expense of members of the Class when the price of silver rose.

100. The defendants were also large participants in the market for Fix price-denominated derivatives. These contracts, like those for physical sales of silver, directly incorporate the Fix price in order to determine the cash flows between the parties. Suppressing the Fix price during the Fixing would thus make one participant profit at the expense of the other. The defendants can and did profit from their collusion in this way at the expense of members of the Class.

101. The defendants were also large participants in the market for such contracts as “digital options,” and have contracts that have similar market-based triggers such as “stop-loss” orders<sup>2</sup> and “margin” calls.<sup>3</sup> These contracts in various forms require the defendants to act, or not act, based on whether the price of silver crosses a specific threshold. By accepting these orders, the banks agreed to transact with the client at a specified price if the silver benchmark reached that price. By manipulating the Fixing, the defendants frequently were able to trigger (or avoid triggering) such orders, avoiding much of the risk in such obligations. The defendants were also able to make margin calls that otherwise would not have been made. The defendants can and did profit from their collusion in this way, at the expense of members of the Class.

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<sup>2</sup> A “**stop-loss order**” is a specified level at which a financial product (or commodity) should be sold to limit potential losses. Clients place stop-loss orders with entities such as the defendants to help manage the risk arising from movements in silver prices.

<sup>3</sup> A “**margin call**” is a demand from a broker to an investor to deposit additional funds or securities so that the investor’s margin account is raised to a certain level. Margin calls are made when the funds or securities in an investor’s margin account need to be raised because they have fallen below a certain level calculated by the broker as being necessary to cover potential losses.



102. The defendants all acted as market makers in the silver market during the Class Period. As such, the defendants had unique access to “order flow” information related to client orders and other sensitive non-public market information. This information was shared among some or all of the defendants throughout the trading day, including around the Fix, in order to create and maintain supra-competitive bid-ask spreads in the silver market. The purpose of this was to enhance their profits at the expense of the Class.

103. The defendants also engaged in spoofing, including conspiratorial spoofing. In doing so, the defendants presented false information to distort the price of silver and Silver Market Instruments, which then allowed them to execute trades at these distorted prices, at the expense of the Class.

#### *The Conspiratorial Communications*

104. The Fixing Bank Defendants met (later, by conference call) once a day via the LSMF. The discussions by their nature involved the sharing of information, but the standing meeting also presented the further opportunity for daily collusion under the cover of this anachronistic process. The call was unregulated, unrecorded and no records of the communications during the calls were kept.

105. Various electronic communication platforms were employed by the defendants’ senior level traders to give effect to the conspiracy and to provide a means by which confidential information concerning customer orders could be improperly shared among the defendants. These electronic communication platforms include chat rooms, instant messages, proprietary trading venues and platforms, and emails. The use of electronic communication platforms allowed the defendants to simultaneously communicate with numerous other defendants on a global basis. The



defendants used code words to avoid detection from authorities. The defendants formed these chat rooms with the specific intent to collude with each other to control or manipulate the price of silver and Silver Market Instruments and to maintain supra-competitive bid-ask spreads throughout the trading day. For example, in the chat below a Deutsche Bank trader-submitter conspired to “smash” the Fix lower through coordinated selling during the Class Period:

Deutsche Bank Trader-Submitter: I got the fix in 3 minutes

Fortis Trader: I’m bearish

Deutsche Bank Trader-Submitter: Hahahaha

Fortis Trader: Massively ... Really wanna sell sil

...

Fortis Trader: Let’s go and smash it together

106. The Fixing Bank Defendants were not the only ones involved in manipulating the Fix price. Other Defendants, including UBS, also conspired to “smash” the London Silver Fixing in a direction that would financially benefit their silver trading positions. For example, on May 11, 2011, a UBS trader and a Deutsche Bank trader discussed how UBS “smashed” the Fix lower to benefit a short silver options position:

Deutsche Bank Trader: . . . the fix dude u guys WERE THE SILVER MARKET

UBS Trader: why u say that?

Deutsche Bank Trader: haha on the fixes

UBS Trader: someone told u?

Deutsche Bank Trader: my ldn

UBS Trader: ah ok

Deutsche Bank Trader: u guys short some funky options

Deutsche Bank Trader: well you told me too but i told no one u just said you sold on fix

UBS Trader: we smashed it good

Deutsche Bank Trader: fking hell UBS now u make me regret not joining

UBS Trader: btw keep it to yourself

107. The defendants also used their proprietary trading platforms to signal desired price levels for silver by placing sequential identical quotes that constitute outliers when considered against prevailing market prices at the time. These outliers acted as signalling mechanisms whereby defendants and co-conspirators indicated the price to which they intended to manipulate the Fixing.

***The Defendants Shared Confidential Customer Order Information to Control the Fixes***

108. Through electronic means, the defendants shared their confidential customer orders for silver with one another. Each defendant aggregated its customers' orders to determine what its individual net position was going to be during the Fixings. The Fixing Bank Defendants then shared this information with one another to determine their aggregate net position. By sharing and aggregating their confidential customer order flows, the Fixing Bank Defendants had access to substantial information that was not otherwise available to the investing public. As a result, the Fixing Bank Defendants could predict the movement of the price of silver more accurately than would have been possible absent collusion. The following are some examples of the defendants' conspiratorial communications sharing client information:

**May 6, 2011:**

UBS Trader: i giot good names selling small silver im getting out more

Deutsche Bank Trader: k

UBS Trader: buy it back later

**August 5, 2011:**

UBS Trader: chinese buying silver 50k so far

Deutsche Bank Trader: tks and stay short my xag112 i see big resistance from 39.40/50 from my momentum chart

UBS Trader: give me a call when u get a sec

Deutsche Bank Trader: k calling

**August 5, 2011:**

UBS Trader: stay short its gonna be one of those days I bought another 100k xag [silver] for chinese

Deutsche Bank Trader: k i offer out again 20

...

UBS Trader: what was taeh last price chinese bought silver from u? they bought total 3 lacs from me avg. 36.06

Deutsche Bank Trader: 39.10

UBS Trader: last price they paid was 39.14

**October 15, 2010:**

UBS Trader: bough small silver from scotia i mean standard mitsui buying some

Deutsche Bank Trader: ok tks

**May 31, 2011:**

Deutsche Bank Trader-Submitter: silver perkey

Deutsche Bank Trader-Submitter: but again quiet

Deutsche Bank Trader-Submitter: long over the weekend

HSBC Trader: same . . .

HSBC Trader: I bot it 29friday

HSBC Trader: i think im just gonna sell it . . .

Deutsche Bank Trader-Submitter: i bot 10k there too late

Deutsche Bank Trader-Submitter: sold 5k at 39.5 tdy

**April 6, 2011:**

Deutsche Bank Trader: how much silver u selling

Deutsche Bank Trader: yest buy so much

Deutsche Bank Trader: today u smash

Barclays Trader: yeah

Barclays Trader: 500 oz gold

Barclays Trader: 10k silver

Barclays Trader: im short

...

Barclays Trader:dude

Barclays Trader: you are short right

Barclays Trader: haha

Barclays Trader: we are one team one dream

Deutsche Bank Trader: haha

Deutsche Bank Trader: of course short

***Spoofing and Other Methods of Controlling the Fixes***

109. To execute their conspiracy, the defendants employed a number of tactics to control or manipulate the Fixings. These controlling or manipulative tactics included what is known as “netting off,” “building,” “giving the ammo,” and “taking the ammo”. The defendants undertook these trading strategies together in order to minimize their risk and maximize the impact of their scheme.



110. Each of these controlling or manipulative strategies was accomplished through the sharing of confidential customer information and trading positions. By sharing their confidential individual trading positions, the defendants gained an understanding of the overall order flows across the silver market.

111. The defendants also engaged in “spoofing,” including conspiratorial spoofing, to control and manipulate prices and the Fixings.

### **Netting Off**

112. Silver traders in the chat rooms with net orders in the opposite direction to the desired movement at the time of the Fixings would seek before the Fixing to transact or “net off” their orders with third parties outside the chat room rather than with silver traders in the chat room. This maintained the volume of orders in the desired direction held by the traders for the Fixing Bank Defendants and avoided orders being transacted in the opposite direction during the Fixings. This process has also been referred to as “*taking out the filth*” or “*clearing the decks*.”

### **Building**

113. Silver traders in the chat room with net orders in the same direction as the desired movement at the time of the Fixings would seek to transact with other conspirators. That way, one of the defendants could more easily control the process of ensuring the trades had the maximum effect at just the right time. This process was referred to as “building” or “*giving you the ammo*.” This practice increased the influence of the traders at the Fixings by allowing them to control a larger proportion of the overall volume than they would otherwise have or to adopt particular trading strategies. Chat room records also show that Defendants enlisted other silver traders to join

the conspiracy by trading in the same direction as their manipulation, exacerbating the impact of their manipulative conduct on the price of silver and silver financial instruments. For example, on June 8, 2011, a UBS trader and a Deutsche Bank trader recruited Barclays to join in the manipulation of silver prices:

UBS Trader: im gonna sell a lil more we need to grow our mafia a lil get a third position involved

Deutsche Bank Trader: ok calling barx

114. In other words, the defendants would call on other traders for “reinforcement” if additional assistance was needed to manipulate silver prices. For example, on December 23, 2010:

UBS Trader: i remember the best reinforcement . . .

Deutsche Bank Trader: haha

Deutsche Bank Trader: yeah

UBS Trader: and i told you i got good selling at 65

Deutsche Bank Trader: i remember that day lol

UBS Trader: so we both wwent short

UBS Trader: f\*cking hell it just kept going higher

UBS Trader: 63, 65, then my guy falls asleep, it goes 69 paid!

UBS Trader: then finally another reinforcement came in

UBS Trader: that was so messy

### **Painting the Screen**

115. If the defendants did not have enough “ammo” to move the market, they would invent it. The process, called “*painting the screen*,” involves placing orders to give the illusion of activity that would impact the Fixing with the intention that these orders would be cancelled after the Fixing had been closed.

### **Rigging the Auction**

116. Additionally, the defendants had a direct means of affecting the Fixing by controlling the “auction” itself. The defendants coordinated trading activities prior to the Fixing window so as to cause the price to move in the desired direction, thereby making it easier to achieve the desired result during the “auction.”

117. The Fixing Bank Defendants had an additional mechanism at their disposal. Acting on behalf of all members of the conspiracy, a Fixing Bank Defendant placed “auction” bids and quotes at prices during the Fixings regardless of what their true aggregate demands were that had been funneled to them or were on their order books. Rather than participating in good faith, the Fixing Bank Defendants could simply submit aggregate “auction” “bids” that understated or overstated demand, particularly when doing so benefitted each defendants’ own proprietary positions even as it harmed the bank’s clients.

### **Spoofing**

118. The defendants engaged in “spoofing,” which involved placing false bids and offers for silver and Silver Market Instruments at artificial prices either above or below where the market was trading, and then quickly canceling those orders before they could be filled.

119. Spoofing distorted the price of silver and Silver Market Instruments in the direction of the fake order by creating the false appearance of supply and demand at the “spoof” price level. This allowed the defendants to buy or sell silver at a more favorable price than they otherwise could have. The following examples show traders from the defendants Bank of Nova Scotia, Deutsche Bank, UBS, and Barclays conspiring to spoof:

**January 29, 2008:**

Deutsche Bank Trader-Submitter: UBS BORING THE MKT AGAIN

Fortis Trader: THSX MATE DID HE OFFER IT DOWN?

Deutsche Bank Trader-Submitter: HE SPOOFED IT TO BUY IT AND I THINK HE JUST SOLD IT TO BUY IT . . . JUST LIKE THEM TO BID IT UP BEFORE THE FIX THEN GO IN AS A SELLER . . . THEY SELL TO TRY AND PUSH IT BACK

**March 7, 2008:**

Bank of Nova Scotia Trader: lost to hsbc got it back fm ubs cheaper

Deutsche Bank Trader-Submitter: did ubs call out?

Bank of Nova Scotia Trader: nah offereed 8.25 in ebs

Deutsche Bank Trader-Submitter: hs called in silver before

Deutsche Bank Trader-Submitter: i was high in both and they opassed both

Bank of Nova Scotia Trader: yeah we were high in silver but cudnt work out what he was doin

Deutsche Bank Trader-Submitter: me either

Deutsche Bank Trader-Submitter: maybe spoofing silver lower . . .

**April 23, 2008:**

UBS Trader: did u just quote that lac of silver?

Deutsche Bank Trader-Submitter: yean

Deutsche Bank Trader-Submitter: im ashamed

UBS Trader: u should be!

UBS Trader: its called the transmit button!

UBS Trader: hehehe

Deutsche Bank Trader-Submitter: hehehehe

Deutsche Bank Trader-Submitter: i knew u were a seller buy u spoofed it u mother

**July 4, 2008:**

Deutsche Bank Trader-Submitter: did u see the spoof

Barclays Trader: no what was that?



Deutsche Bank Trader-Submitter: when he called

Deutsche Bank Trader-Submitter: the futures went a buck wide

...

Deutsche Bank Trader-Submitter: shud make ubs 2 usd wide at leats today if hes spoofing  
ti

***The Defendants' Manipulative Conduct Resulted in Artificial Prices for Silver Market Instruments***

120. The prices of Silver Market Instruments are highly correlated with the Fix price.

121. The Fixings were supposed to be, and were understood by market participants as being, a reliable benchmark price for silver, including the market for Silver Market Instruments, because they reflected actual market supply and demand. This was not the case for at least two reasons.

122. First, the Chair of the Fixings was supposed to commence the auction process used in the Fixing by announcing (and then soliciting supply or demand levels from defendants in response) a figure that was the then-prevailing spot price for silver. In other words, the *starting point* for each day's Fixing was held out to be the spot price of silver. The spot price for silver is the price for delivered physical silver, and thus the price upon which all silver-based or silver-derived investments are based.

123. Second, the auction that followed the Chair's announcement of the prevailing spot price was supposed to be a *genuine* and *competitive* auction, based on *actual market supply and demand* for silver. The Fixing Bank Defendants were supposed to announce whether they were buyers or sellers at the Chair's price based on net supply/demand for spot silver from their order books. This supply and demand was supposed to consist of orders from customers – market participants free to place orders with any Fixing Bank Defendant if one defendant's prices were not sufficiently

competitive – and orders from defendants themselves, where defendants were engaging in proprietary trading, acting as direct market participants.

124. The Fixing Bank Defendants' manipulative conduct caused either: (1) the price at which the Chair commenced the Fixing to be artificial, or (2) the levels of market supply and demand that moved the Fixing price to the level at which it was ultimately fixed to be artificial.

125. By setting the price of the Fixing at a level different from what would have resulted absent the Manipulative Conduct, the Fixing Bank Defendants manipulated the spot and futures markets for silver and thereby affected the broader market for Silver Market Instruments as the price for each of the Silver Market Instruments implicitly and expressly followed the Fixing prices. Furthermore, the defendants' spoofing also manipulated the spot and futures markets for silver and Silver Market Instruments.

126. As a result, Class Members who engaged in transactions for Silver Market Instruments suffered damages and loss. Where the Class Member engaged in transactions on behalf of another Class Member (including as part of managing the risks in an equity fund, mutual fund, pension plan or other investment vehicle), at least part of the artificial prices were passed-on to the holder of the investment vehicle either as a result of deflated value of the investment vehicle or through increased management fees imposed as a percentage of assets under management. As a result, the Class suffered losses in respect of both upward and downward price movements.

127. The Defendants knew any profit resulting from their illegitimate trading activities flowed directly from harm caused to the Plaintiffs and the Class. For example, as one UBS trader commented while planning a series of manipulative silver transactions with Deutsche Bank on April 1, 2011, "if we are correct and do it together, we screw other people harder."

***Concealment of the Manipulative Conduct***

128. During the Class Period, the defendants and their employees and agents, took active steps to, and did, conceal the Manipulative Conduct from Class Members.

129. The defendants fraudulently concealed their anti-competitive activities by, among other things, engaging in secret communications in furtherance of their conspiracy, agreement or arrangement. These communications occurred within non-public chat rooms, instant messages, and through email, none of which was transparent to the plaintiffs or other Class Members.

130. The defendants actively and jointly concealed their collusive conduct. The defendants agreed among themselves not to publicly discuss or otherwise reveal the nature and substance of the acts and communications in furtherance of the agreements and arrangements alleged herein. The defendants also used code words and deliberately misspelled words to evade detection.

131. The Fixings occurred during a secret and archaic process from which no records were kept. The defendants' trades and trading strategies related to the Fix were not public information.

***Summary***

132. During the Class Period, the defendants and unnamed co-conspirators conspired, combined, agreed, and/or arranged with each other to fix, maintain, increase, decrease, control and unreasonably enhance the spot price of silver determined at the Fix, Silver Market Instruments as well as the bid-ask spreads in the silver market.

133. In furtherance of such conspiracy, arrangement or agreement, during the Class Period, senior executives, traders, and employees of the defendants, acting in their capacities as agents for the defendants, engaged in communications, conversations, and attended meetings with each other

at times and places, some of which are unknown to the plaintiff. As a result of the communications and meetings, the defendants and unnamed co-conspirators unlawfully conspired, agreed and/or arranged to:

- (a) fix, maintain, increase, decrease and control unreasonably the Fix price of silver and Silver Market Instruments; and
- (b) monitor and enforce adherence to agreed-upon trading strategies to effect the conspiracy.

134. The defendants also engaged in other manipulative conduct, including spoofing, which distorted the price of silver and Silver Market Instruments.

#### **GOVERNMENT INVESTIGATIONS**

135. Numerous criminal and regulatory investigations are underway concerning the collusion amongst the defendants and the Manipulative Conduct, including in the United States, Switzerland, and Germany.

136. The law enforcement and regulatory authorities include:

- (a) United States:
  - (i) the Department of Justice (“**DOJ**”)
  - (ii) the Commodity Futures Trading Commission (“**CFTC**”)
- (b) Switzerland:
  - (i) the Swiss financial regulator (“**FINMA**”)



(ii) the Swiss competition commission (“**WEKO**”)

(c) Germany:

(i) the Federal Financial Supervisory Authority (“**BaFin**”)

137. As a result of DOJ and CFTC investigations, a former trader working at Deutsche Bank’s precious metals desk named David Liew (“**Liew**”) pleaded guilty on June 1, 2017, to charges including conspiracy to manipulate the precious metals markets including the silver markets. Liew admitted that he knowingly and intentionally conspired with at least one trader at another large financial institution to place orders and execute trades for the purpose of triggering customers’ stop-loss orders. Liew also admitted that the intent of triggering the customer stop-loss orders was to allow the traders to buy precious metals futures contracts at artificially low prices or sell precious metals futures contracts at artificially high prices.

138. On June 2, 2017, the CFTC issued an order finding that Liew conspired on multiple occasions with other precious metals traders to manipulate the prices of precious metals, including silver. For example, in a chat on January 7, 2011, Liew asked a trader at UBS about the level in the market at which customer stop-loss orders were resting. Liew told the UBS trader, “i can hunt with u.” A few minutes later, the UBS trader asked Liew: “yo can u help me push silver down?” Liew agreed to execute trades to push the price of Comex silver futures market down to trigger the resting stop-loss orders, and did so by spoofing, *i.e.* by entering orders to sell with the intent to manipulate prices. When the market reached the stop level that they were seeking, Liew told the UBS trader: “there u go.” Liew then bought back the silver contracts, eliminating his exposure to risk from further price movements in the silver futures market and generating a profit.

139. On January 29, 2018, the CFTC issued orders against Deutsche Bank, HSBC and UBS:

- (a) As against Deutsche Bank, the CFTC found that from at least February 2008 and continuing through at least September 2014, Deutsche Bank “engaged in a scheme to manipulate the price of precious metals futures contracts by utilizing a variety of manual spoofing techniques”. The Deutsche Bank traders, “both individually and in coordination with one or more of the others, placed orders to buy or sell gold, silver . . . futures contracts with the intent to cancel the orders before execution”. Further, between December 2009 through February 2012, a Deutsche Bank trader “coordinated his trading with another precious metals trader at another large financial institution” and “[o]n certain occasions . . . was successful at manipulating the price and triggering the customer-stop loss orders.”
- (b) As against HSBC, the CFTC found that from at least July 16, 2011 through August 2014, HSBC “engaged in the disruptive trading practice of “spoofing””. The HSBC trader “placed orders for futures contracts in Precious Metals, primarily gold, with the intent to cancel before their execution.”
- (c) As against UBS, the CFTC found that from January 2008 and continuing through at least December 2013, UBS “attempted to manipulate the price of precious metals futures contracts by utilizing a variety of manual spoofing techniques.” A UBS trader also “coordinated his trading with another precious metals trader at another large financial institution”, “intentionally triggering stop-loss orders . . . to buy precious metals futures contracts at artificially low prices or sell precious metals futures contracts at artificially high prices”.

140. On October 1, 2018, the CFTC found that during the period from at least June 2013 through June 2016, BNS engaged in the disruptive trading practice of “spoofing” in gold and silver futures products. BNS was ordered to pay \$800,000. However, on August 19, 2020, the CFTC found that multiple statements made by BNS during its investigation were false in that BNS “made multiple false and misleading statements of material fact to CFTC staff, and omitted material facts regarding the universe of BNS’s precious metal futures accounts, traders, and the Tag50s its traders used.” BNS was ordered to pay \$77.5 million in penalties and equitable relief.

141. On October 9, 2018, John Edmonds, a JPMorgan trader, pleaded guilty to a conspiracy offense related to “wire fraud, commodities fraud, commodities price manipulation, and spoofing” from no later than 2009 until no earlier than 2015.

142. On February 5, 2019, Andre Flotron, a UBS trader, entered into a consent order requiring him to pay a civil monetary penalty “for spoofing and engaging in a deceptive or manipulative scheme through his spoofing” from at least August 2008 through at least November 2013.

143. On June 25, 2019, the CFTC settled charges against Merrill Lynch for spoofing, manipulation, and attempted manipulation of precious metals futures contracts during the period from at least 2008 through 2014. Monetary sanctions totaling approximately \$25 million were imposed.

144. On July 25, 2019, it was announced that Corey Flaum, a trader for Scotia Capital and Bear Stearns, pleaded guilty to attempted commodities price manipulation. According to admissions, between approximately June 2007 and July 2016, Mr. Flaum “placed thousands of orders to manipulate the prices of gold, silver ... futures contracts” and he “intended to deceive other market

participants about the existence of supply and demand, and to artificially move the price of precious metals futures contracts”.

145. On July 25, 2019, the CFTC found that during the period in or around 2007 until in or around 2016, Corey Flaum “engaged in a pattern of spoofing in the precious metals futures market”. According to the Justice Department, he “placed thousands of orders to manipulate the prices of gold, silver, platinum and palladium futures contracts”.

146. On September 30, 2019, the CFTC entered an order against Morgan Stanley for spoofing with respect to futures products in precious metals during the period of in or about November 2013 to at least November 2014.

147. On August 19, 2020, BNS resolved criminal charges with the US Department of Justice in relation to price manipulation involving thousands of episodes of unlawful trading activity in the precious metals futures contracts markets between approximately January 2008 and July 2016, as well as in relation to false statements made by BNS to the CFTC in relation to its investigation. Additionally, the CFTC issued three orders against BNS in relation to spoofing, false statements, and compliance and supervision violations / failures.

148. On September 29, 2020, the CFTC settled charges against JPMorgan for manipulative and deceptive conduct and spoofing during the period spanning from at least 2008 through 2016, and involving hundreds of thousands of spoof orders. JPMorgan was required to pay \$920.2 million.

149. Switzerland’s financial regulator FINMA found similar problems at UBS. It found “serious misconduct” by UBS in precious metal trading. FINMA’s chief executive officer recently



stated that the regulator has “seen clear attempts to manipulate fixes in the precious metals markets.”

150. Specifically, FINMA found that UBS’s precious metals traders had engaged in: (i) sharing information on order books with third parties (*e.g.*, stop-loss orders); (ii) sharing so-called “flow information” with third parties on large current or imminent orders; (iii) sharing client names with third parties; (iv) front running; and (v) triggering stop-loss orders. FINMA concluded that UBS’s “compliance function in foreign exchange and precious metals trading was insufficient.”

151. FINMA’s findings are supported by the available chat room records that show, for example, that UBS routinely conspired with at least Deutsche Bank to trigger stop-loss orders. This practice was so common that the UBS and Deutsche Bank traders involved jokingly referred to themselves as the “stop busters.” For example, on June 8, 2011, the following discussion took place between a UBS trader and a Deutsche Bank trader:

UBS Trader: and if u have stops....

UBS Trader: oh boy

Deutsche Bank Trader: HAHA

Deutsche Bank Trader: who ya gonna call!

Deutsche Bank Trader: STOP BUSTERS

Deutsche Bank Trader: deh deh deh deh dehdehdeh deh deh deh deh dehdehdeh

Deutsche Bank Trader: haha

152. FINMA also noted problems with proprietary or “back book” trading at UBS. FINMA noted that such proprietary trading leads to conflicts of interest with UBS’s clients especially because traders’ compensation was set in part based on the success of the proprietary trading. FINMA noted that, “A substantial element of the conspicuous conduct in [precious metals] trading was the repeated front running (especially in the back book) of silver ~~fix~~ orders of one client.

FINMA noted that with those particular episodes, “Owing to the frequency and obviousness of front running in the back book, the desk supervisors saw themselves forced – after some time of passive inactivity – to prohibit front running in the back book, but did not sanction the traders who engaged in it.”

153. FINMA found that this conduct was tolerated or even engaged in by managers with responsibility for overseeing precious metals traders.

154. As a result of its investigations, in December 2015, FINMA issued industry bans of between one and five years against six managers and traders formally employed in the UBS foreign exchange and precious metals business. Four of them were precious metals traders. FINMA found that the individuals in question were directly responsible for serious breaches of regulations at UBS and “bore significant responsibility for the serious organisational shortcomings and improper conduct at UBS.”

155. FINMA found that traders shared confidential client information, sometimes revealing the identity of clients to third parties, deliberately triggered stop-loss orders and engaged in front running.

#### **INDEPENDENT ADMINISTRATOR NOW RESPONSIBLE FOR THE FIXING**

156. On August 15, 2014, CME Group and Thomson Reuters launched what is referred to as a new “**London Silver Price**” mechanism in partnership with LBMA. The new London Silver Price mechanism was promoted as providing “the over-the-counter spot silver market with a new transaction-based price setting mechanism for LMBA Silver Price that is IOSCO-compliant and fully electronic.”

157. CME Group provides the electronic auction platform on which the prices are calculated, Thomson Reuters is responsible for administration and governance and the LBMA accredits price participants.

158. The London Silver Price keeps some of the main features of the Fixing, namely the auction-style process used to calculate the reference price. Thomson Reuters publishes the volumes of silver bars traded daily and the prices.

## **RIGHTS OF ACTION**

### ***Breach of the Competition Act***

159. The Manipulative Conduct constitutes offences under Part VI of the *Competition Act*, in particular, sections 45(1), 46(1), and 47(2) of the *Competition Act*.

160. The Manipulative Conduct also constitutes an offence under s. 52 of Part VI of the *Competition Act* in that the Manipulative Conduct distorted the price of silver and Silver Market Instruments, including the Fix Price, by falsely altering supply and demand.

161. The plaintiffs claim on behalf of themselves and other Class Members loss and damage under section 36(1) of the *Competition Act* in respect of such unlawful conduct.

### ***Breach of Foreign Law***

162. The defendants and their unnamed co-conspirators' conduct, particularized in this statement of claim, took place in, among other places, the United States, the United Kingdom, various countries in Asia and various countries in Europe where such conduct was illegal and contrary to the competition laws of those jurisdictions.

### ***Civil Conspiracy***

163. The defendants and their co-conspirators voluntarily entered into agreements with each other to use unlawful means which resulted in loss and damage to Class Members. The unlawful means included the following:

- (a) engaging in Manipulative Conduct in contravention of section 45(1) and 47(2) of the *Competition Act*;
- (b) the Canadian-based defendants giving effect to a foreign directive in contravention of section 46(1) of the *Competition Act*; and
- (c) aiding, abetting and counselling the commission of the above offences, contrary to sections 21 and 22 of the *Criminal Code*, RSC 1985, c C-46.

164. In furtherance of the conspiracy, the defendants, their employees, agents and co-conspirators, carried out the Manipulative Conduct.

165. The defendants and their co-conspirators were motivated to conspire. Their predominant purposes and concerns were to harm the Class.

166. The defendants and their co-conspirators intended to cause economic loss to the Class. In the alternative, the defendants and their co-conspirators knew in the circumstances that their unlawful acts would likely cause injury to the Class.

### ***Unjust Enrichment***

167. The defendants have been unjustly enriched as a result of the conduct alleged above. The Class Members have suffered a corresponding deprivation in the amount of the difference between



the prices actually paid by or on behalf of Class Members for physical silver or Silver Market Instruments and the prices which would have been paid in the absence of the Manipulative Conduct.

168. Since the difference in price received by the defendants from the Class Members resulted from the defendants' wrongful and unlawful acts, there is and can be no juridical reason justifying the defendants retaining any part of it.

***Breach of Contract***

169. When certain of the defendants acted as market makers throughout the trading day, certain Class Members contracted with them directly when entering into contracts for the purchase or sale of Silver Market Instruments. These contracts included, without limitation, spot, futures and options contracts related to silver.

170. It was an implied term of the contracts between the Class Members and the defendants that when the defendants were acting as market makers, they would not manipulate the bid-ask spreads of Silver Market Instruments or other aspects of the silver market for their own benefit and at the Class Members' expense. To the extent that they manipulated the bid-ask spreads when acting as market makers and other aspects of the silver market, the defendants breached their contracts with the Class Members and the Class Members have suffered damages as a result.

171. The defendant, BNS, operates an online trading platform called iTRADE. Caron used iTRADE to transact in Silver Market Instruments during the Class Period. It was the reasonable expectation of Caron that when using a trading service operated by BNS, such as iTRADE, that BNS would not engage in illicit activity in the silver market which would negatively affect the

transactions Caron engaged in. During the Class Period BNS engaged in illicit activity in the silver market, including spoofing, and breached its contract with Caron and other Class members who contracted with BNS or one of its affiliated entities.

***Unlawful Means Tort***

172. The defendants' spoofing was unlawful and prohibited conduct against parties, including members of the Class, intended to cause economic harm to the Class.

173. The defendants intended that their unlawful and prohibited conduct cause harm to all Class Members. The defendants' conduct supports third party civil actions for damages or compensation under Canadian law, under the law of the jurisdiction in which the acts took place, and under the law of the applicable contract. The Class Members have a civil claim against the defendants arising from the facts described herein for:

- (a) Breach of contract;
- (b) Breach of the duty of good faith in contractual relations;
- (c) Breach of foreign law;
- (d) Civil conspiracy;
- (e) Unjust enrichment;
- (f) Damages arising under s. 36 of the *Competition Act* for conduct contrary to sections 45, 46, 47, and 52 of the *Competition Act*; and
- (g) Damages arising from breaches of competition laws in other jurisdictions.

174. The defendants intended their conduct would cause harm to the Class by causing them to transact in Silver Market Instruments at distorted prices. Alternatively, the defendants intended to harm the Class as a necessary means of enriching themselves. The defendants intended and knew that the harm suffered by the Class would follow as a natural consequence of their conduct particularized herein.

175. The Class suffered harm as a result of the defendants' conduct in the form of distorted prices for Silver Market Instruments.

***Discovery of Losses***

176. The plaintiffs did not discover, and could not have discovered through the exercise of reasonable diligence, the existence of the claims which are the basis of this action until recently.

177. The defendants and their co-conspirators actively, intentionally and fraudulently concealed the existence of the Manipulative Conduct from the public, including the Class Members. The affirmative acts of the defendants alleged herein, including acts in furtherance of the Manipulative Conduct, were fraudulently concealed and carried out in a manner that precluded detection.

178. The defendants' and their co-conspirators' anti-competitive conspiracy and other manipulative conduct was self-concealing. The defendants took active, deliberate and wrongful steps to conceal their participation in the alleged conspiracy and other manipulative conduct.

179. Because the defendants' agreements, understandings, conspiracies, and other manipulative conduct were kept secret, the Class Members were unaware of the defendants' unlawful conduct during the Class Period, and did not know that the silver prices they were paying (or were being

paid on their behalf) had been unlawfully fixed, maintained, increased, decreased, controlled, and unreasonably enhanced.

## REMEDIES

### *Damages*

180. As a result of the Manipulative Conduct:

- (a) the prices of physical silver and Silver Market Instruments have been, directly or indirectly, fixed, maintained, increased, decreased, controlled, and unreasonably enhanced at artificial and non-competitive levels; and
- (b) competition in the silver market has been unduly restrained.

181. The defendants' Manipulative Conduct caused prices to be set at artificial levels, rather than if set by free and open competition, throughout the Class Period. The collusion and conduct necessarily injures participants in the silver market and the Class suffered loss and damage as a result of the defendants' Manipulative Conduct.

182. During the Class Period, the plaintiffs and other Class Members transacted in the silver market. By reason of the alleged violations of the *Competition Act* and the common law, the plaintiffs and other Class Members were deprived of a competitive marketplace and exposed to artificial volatility.

183. Absent collusion and other manipulative conduct, the defendants would have had incentives to avoid the abusive trading practices described above. Through the Manipulative



Conduct, Class Members were deprived of the benefits of a competitive marketplace which would have given rise to narrower bid-ask spreads on Silver Market Instruments.

184. The defendants' anticompetitive conduct had severe adverse consequences on competition in that the defendants artificially ensured advantageous market movements in price of silver and Silver Market Instruments including by exchanging confidential customer information and agreeing to collusive trading strategies. Under the facts alleged herein, the Class Members could not escape such conduct because of the dominant positions occupied by the defendants in the silver market.

185. No sole Fixing Bank Defendant could accomplish systemic and continuing control or manipulation of the Fixings without coordinating with the other defendants. Absent the Fixing Bank Defendants' knowledge of one another's confidential customer information, the conduct alleged herein would be a risky strategy. The Fixing Bank Defendants benefited from coordinating their market activities.

186. The direct, foreseeable and proximate result of the defendants' Manipulative Conduct was to cause the plaintiffs and Class damages and loss.

187. The damage is capable of being quantified on an aggregate basis as the difference between the prices actually paid by (or on behalf of) Class Members for physical silver or Silver Market Instruments and the prices which would have been paid in the absence of the Manipulative Conduct.

188. All amounts payable to the class on account of damages should be calculated on an aggregate basis pursuant to section 24 of the *Class Proceedings Act*, or otherwise.

189. In addition, the defendants are jointly and severally liable to pay costs of investigation and prosecution of this action pursuant to section 36 of the *Competition Act*.

***Disgorgement***

190. In the alternative, the plaintiffs seek disgorgement of the revenues generated by the defendants and their co-conspirators from their unlawful conduct and/or unlawful means misconduct.

191. It would be unconscionable for the defendants to retain the unlawful overcharge obtained as a result of the Manipulative Conduct and/or unlawful means misconduct.

192. All amounts payable to the class on account of disgorgement should be calculated on an aggregate basis pursuant to section 24 of the *Class Proceedings Act*, or otherwise.

***Punitive, Aggravated and Exemplary Damages***

193. The defendants used their market dominance, illegality and deception in furtherance of a conspiracy to illegally profit from transactions in the silver market and related Silver Market Instruments. They were, at all times, aware that their actions would have a significant adverse impact on Class Members. The conduct of the defendants and their co-conspirators was high-handed, reckless, without care, deliberate, and in disregard of the Class member's rights.

194. Accordingly, the plaintiffs request substantial punitive, exemplary and aggravated damages.

## SERVICE OUTSIDE OF ONTARIO

195. The plaintiffs are entitled to serve this statement of claim outside Ontario without a court order pursuant to the following rules of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194 because the claim:

- (a) is in respect of a tort committed in Ontario (Rule 17.02(g)); and
- (b) is against a person carrying on business in Ontario (Rule 17.02(p)).

## RELEVANT LEGISLATION

196. The plaintiffs plead and rely on the *Bank Act*, S.C. 1991, c. 46, as amended; *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; the *Class Proceedings Act*, 1992, S.O. 1992, c. 6, as amended; the *Competition Act*, R.S.C. 1985, c.34, as amended; and the *Criminal Code*, R.S.C. 1985, c C-46.

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**JULIUS DI FILIPPO et al.**  
**Plaintiffs**

-and-

**THE BANK OF NOVA SCOTIA et al.**  
**Defendants**

**Court File No. CV-16-551067-00CP**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

Proceeding under the *Class Proceedings Act, 1992*

**FRESH AS AMENDED STATEMENT OF CLAIM**  
**(Notice of Action issued April 15, 2016)**

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