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10
11 **UNITED STATES DISTRICT COURT**
12 **NORTHERN DISTRICT OF CALIFORNIA**

13
14 IN RE MARQETA, INC. SECURITIES
15 LITIGATION,

Case No. 4:24-cv-08874-YGR

AMENDED COMPLAINT

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GLOSSARY OF DEFINED TERMS

TERM	DESCRIPTION
2023 10-K	Marqeta's Form 10-K for the year ended December 31, 2023 filed with the SEC on February 28, 2024.
ACH	Automated Clearing House
Acquiring Banks	The financial institutions that merchants use to hold funds and manage their business. Acquiring Banks may work with an Acquirer Processor to provide access to the Card Networks.
Acquirer Processor	Connectors of Acquiring Banks and merchants to the Card Networks, to facilitate the flow of card payment information to an Issuing Bank.
AI	Artificial Intelligence
AML	Anti-Money Laundering
APIs	Application Programming Interfaces
AWA	Accelerated Wage Access
BaaS	Banking as a Service
Baker	Jerry Baker, Marqeta Head of Regulatory Compliance (August 2022- March 2024).
Block	Block, Inc., formerly known as Square, Inc.
BNPL	Buy Now Pay Later
Bank Secrecy Act	Bank Secrecy Act
Card Network	The provider of the infrastructure for settlement and card payment information that flows between an Issuer Processor and an Acquirer Processor.
Carlisle	Alan Carlisle, Marqeta Chief Compliance Officer (December 2023-present).
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFPB	Consumer Financial Protection Bureau
Class Period	February 28, 2024 and November 4, 2024, inclusive
Company	Marqeta, Inc.
Defendants	Marqeta, Inc., Simon Khalaf and Michael Milotich
Exchange Act	Securities Exchange Act of 1934
FE1	Former Employee 1
FE2	Former Employee 2
FE3	Former Employee 3
FE4	Former Employee 4
FDIC	Federal Deposit Insurance Corporation
GTM	Go-To-Market
Gardner	Jason Gardner, Marqeta Founder and CEO (2010-January 2023); Director (2010-present); Executive Chairman of the Board (January 2023-present).
Individual Defendants	Simon Khalaf, and Michael Milotich
IPO	Initial Public Offering
JIT	Just In Time
Latson	Graydon Latson, Marqeta Senior Compliance Manager (September 2021- March 2024).

1	Issuing Bank	A financial institution that issues a payment card (debit, prepaid, or credit) either on its own behalf or on behalf of a business.
2	Issuer	Providers of a technology platform, ledger, and infrastructure to support a
3	Processors	card issuer and connects with a Card Network to facilitate payment transactions.
4	Khalaf	Defendant Simon Khalaf
5	Milotich	Defendant Michael Milotich
6	MQ	Marqeta, Inc.
7	MSA	Master Services Agreement
8	MxM	Managed by Marqeta
9	NASDAQ	NASDAQ Stock Market
10	OCC	Office of the Comptroller of the Currency
11	PCI DSS	Payment Card Industry Data Security Standard
12	PxM	Powered By Marqeta
13	Q1 2024 10-Q	Marqeta's Form 10-Q for Q1 2024 filed with the SEC on May 7, 2024.
14	Q2 2024 10-Q	Marqeta's Form 10-Q for Q2 2024 filed with the SEC on August 7, 2024.
15	Reg E	Regulation E
16	Reg Z	Regulation z
17	SEC	Securities and Exchange Commission
18	SMB	Small and Medium Sized Businesses
19	SOC	System and Organization Controls
20	Sumner	Crystal Sumner, Marqeta Chief Legal and Compliance Officer (June 2016-February 2023); Chief Legal Officer and Interim Chief People Officer (February 2024-February 2024); Chief Administrative Officer (February 2024 – present).
21	TPV	Total Processing Volume
22	VC	Venture Capital

1 Lead Plaintiff Tyler Hogge, individually and on behalf of all others similarly situated, by
2 and through his attorneys, alleges the following upon information and belief, except as to those
3 allegations concerning Lead Plaintiff, which are alleged upon personal knowledge. Lead Plaintiff's
4 information and belief is based upon, among other things, his counsel's investigation, which
5 includes without limitation: (a) review and analysis of regulatory filings made by Marqeta, Inc.
6 ("Marqeta" or the "Company") with the United States ("U.S.") Securities and Exchange
7 Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and
8 disseminated by Marqeta; and (c) review of other publicly available information concerning
9 Marqeta.
10

11 **I. NATURE OF THE ACTION AND OVERVIEW**

12 1. This is a class action on behalf of persons and entities that purchased or otherwise
13 acquired Marqeta securities between February 28, 2024 and November 4, 2024, inclusive (the
14 "Class Period"). Lead Plaintiff pursues claims against Defendants (as defined herein) under the
15 Securities Exchange Act of 1934 (the "Exchange Act").
16

17 2. Marqeta is a financial services company with debit, prepaid, and credit programs.
18 Marqeta provides issuer processor services and program management services to its customers.
19 Marqeta typically connects customers to an Issuing Bank¹ to act as the Bank Identification Number
20 (BIN) sponsor for the customer's card program, manages the customer's card program on behalf of
21 the Issuing Bank, and provides a full range of services, including configuring many of the critical
22 resources required by a customer's production environment. Marqeta's initial public offering (IPO)
23 took place on June 8, 2021, with its shares beginning to trade the next day on the Nasdaq Global
24 Select Market under the ticker symbol "MQ."
25
26

27 ¹ An "Issuing Bank" is a financial institution that issues a payment card (debit, prepaid, or credit)
28 either on its own behalf or on behalf of a business.

3. Prior to the Class Period, regulatory scrutiny on the fintech industry and banks supporting the fintech industry began to intensify, which affected the operating environment of companies like Marqeta. In March 2023, the Federal Deposit Insurance Corporation (“FDIC”) entered into a consent order with Cross River Bank (“Cross River”), a fintech focused bank.² In June 2023, the FDIC, Federal Reserve Board, and Office of the Comptroller of the Currency (“OCC”) issued new interagency guidance on managing risks associated with third-party relationships, including relationships with fintech companies. First Fed Bank (“First Fed”), another bank focused on providing services to fintech companies, entered into a consent order with the FDIC in November 2023.³ In January and February 2024, the FDIC entered into consent orders with several other fintech focused banks (*see* ¶17, *infra*), including Sutton Bank (“Sutton”),⁴ which was Marqeta’s largest Issuing Bank partner by processing volume.

4. In addition, in May 2023, Marqeta announced that it was restructuring in order to increase efficiency and reduce adjusted operating expenses by \$40 million to \$45 million on an annual run rate basis. Defendants stated that this restructuring would include a 15% headcount reduction. Following the restructuring, Marqeta’s regulatory compliance department was severely understaffed. According to a former employee, in December 2023, after repeated requests from Marqeta’s Head of Regulatory Compliance for additional employees, Defendants approved the hiring of 10 or 11 new employees for the regulatory compliance department. However, according

²

<https://orders.fdic.gov/sfc/servlet.shepherd/document/download/0693d000007xEStAAM?operationContext=S1>

³

<https://orders.fdic.gov/sfc/servlet.shepherd/document/download/0693d00000B3IGwAAN?operationContext=S1>

⁴

<https://orders.fdic.gov/sfc/servlet.shepherd/document/download/0693d00000CTBl4AAH?operationContext=S1>

1 to the former employee, the vast majority of these positions were still not filled when the employee
2 left the Company in April 2024. Instead, Defendants delayed filling the majority of these positions
3 until the summer of 2024.

4 5. The Class Period starts on February 28, 2024, when Marqeta announced its financial
5 results for Q4 2023 and FY 2023. During Marqeta's earnings call to discuss those results,
6 Defendants provided guidance for FY 2024, projecting a contraction of net revenue between 20%
7 to 24%, but an increase in gross profit growth of 6% to 9%. Marqeta's guidance for the second half
8 of 2024, however, was very different from its guidance for the first half of 2024. After a first half
9 that was expected to be weighed down by certain issues relating to the renewal of Marqeta's Cash
10 App program, Defendants expected strong results in the second half of 2024, with net revenue
11 growth of 23% to 26% and gross profit growth of 23% to 26%. According to Defendants, the rapid
12 acceleration of growth in the second half was expected to be driven in substantial part by the launch
13 and ramping up of new programs throughout the year.

14 6. During the Q4 2023 earnings call, Marqeta CEO Simon Khalaf cited improved
15 launch times for new programs as one of the key factors driving Marqeta's momentum entering
16 2024. He stated:

17 In addition to growing our bookings, *we also made great strides in accelerating the*
18 *time to launch for new programs signed to convert these bookings into revenue*
19 *and gross profits faster. On average, the time between close and launch in Q4 of*
20 *this year was about 100 days better than the previous year.* This was achieved
21 without adding significant resources by focusing on solutions architecture and using
22 preconfigured card constructs.⁵

23 7. This statement was highly misleading, because at that time, the improvement in
24 launch times had completely eroded and the trend had reversed itself. As Defendants subsequently
25 admitted at the end of the Class Period, Marqeta's average time for the onboarding and delivery of
26

27
28 ⁵ Unless otherwise indicated, all emphasis in this Complaint has been added.

1 new programs was roughly 150 days in 2023, but that time more than doubled to >300 days during
2 Q1 2024 and Q2 2024 due to heightened regulatory scrutiny. At the time of Khalaf's statement
3 (February 28, 2024), Q1 2024 was already 66% complete, so the "great strides in accelerating the
4 time to launch new programs" had already been overtaken by even greater strides in the wrong
5 direction.
6

7 8. During the Q4 2023 call, Defendants also made misleading statements about the
8 strength of Marqeta's regulatory compliance capabilities and its level of investment in regulatory
9 compliance. In response to an analyst's question about the regulatory environment for banking as
10 a service ("BaaS") and embedded finance, Khalaf stated that Defendants were "comfortable with
11 the regulatory environment," that Marqeta had invested "a lot" in regulatory compliance, and that
12 Defendants took regulatory compliance "very seriously." Marqeta CFO Mike Milotich added that
13 despite "some disruption in the marketplace" relating to regulatory scrutiny, Marqeta's investments
14 in regulatory compliance provided it with a competitive advantage as customers made a "flight to
15 quality" in selecting a platform for their card programs.
16

17 9. These statements were materially misleading, because, *inter alia*, (1) Defendants
18 were already experiencing significant increases in onboarding times during Q1 2024 and internally
19 attributed the resulting launch delays to heightened regulatory scrutiny, and (2) while Defendants
20 had approved the hiring of additional regulatory compliance personnel due to severe understaffing
21 of the regulatory compliance department, the vast majority of those hires had not yet been made.
22

23 10. Throughout the Class Period, Defendants continued to issue materially misleading
24 statements about the speed with which Marqeta launched new programs and whether Marqeta's
25 onboarding of new programs was on track with Marqeta's projections. For example, during
26 Marqeta's Q1 2024 earnings call on May 7, 2024, an analyst asked how Marqeta was "faring now"
27 in comparison to its previously reported 100-day improvement in launching new programs. Khalaf
28

1 responded by touting Marqeta’s “*significant operational improvements*” that he called “Marqeta-
2 in-a-Box,” which he said “*reduce[d] a lot of the upfront cycles*” and drove “*tremendous*
3 *improvement north of 10%.*”

4
5 11. During the same call, another analyst pointed out that Defendants’ guidance was
6 based on new bookings being a “more material contributor in the back half of the year” and asked
7 whether Defendants were seeing any “variance” from the ramping of new customers. Khalaf
8 responded that Marqeta was “*a little bit ahead of schedule . . . based on a couple of customers*
9 *launching a little more quickly than we expected, and one or two also ramping a little faster than*
10 *we had projected.*”

11
12 12. Khalaf, however, failed to disclose that onboarding times remained over 300 days,
13 more than double the average onboarding time in 2023, which was delaying launches. He also failed
14 to disclose that during March and April 2024, three members of Marqeta’s regulatory compliance
15 team were fired and/or quit in rapid succession (including the Head of Regulatory Compliance and
16 a Senior Compliance Manager), which heightened the risk of even further increasing onboarding
17 times and worsening launch delays.

18
19 13. Indeed, even after two full quarters of >300 day launch times—which were
20 completely out of line with the metric that Khalaf touted at the beginning of the Class Period and
21 never updated—Defendants continued to insist that Marqeta’s onboarding of new bookings was on
22 track. During the Company’s Q2 2024 earnings call on August 7, 2024, Khalaf told investors that
23 “new cohorts are on track to generate \$20 million in revenue, which is what we’ve guided” and that
24 this “*speaks volumes to how fast we can onboard new customers and get them ramped up.*” Khalaf
25 also stated that “*the new business that we’re onboarding is on track.*”

26
27 14. On November 4, 2024, after market hours, Marqeta issued a press release reporting
28 its Q3 2024 financial results and substantially reducing its Q4 2024 guidance. Specifically, Marqeta
reduced its guidance for Q4 net revenue growth from 16%-18% to 10%-12%, and it reduced its

1 guidance for gross profit growth from 22%-24% to 13%-15%. The press release stated, “Our fourth
2 quarter guidance reflects several changes that became apparent over the last few months with
3 regards to the heightened scrutiny of the banking environment and specific customer program
4 changes.”

5 15. During its earnings call that day, Khalaf attributed the weakened guidance to a
6 change in the regulatory environment that occurred “last year” (*i.e.*, 2023), which “increased [the]
7 operational burden . . . on both Marqeta’s and the bank’s onboarding and compliance teams” and
8 “translated into delays in launching new programs.” Milotich stated that the delays in launching
9 new programs contributed in part to Q3 2024 gross profit growth being “2 points lower than
10 expected.” Contrary to Defendants’ prior statements touting operational improvements driving
11 faster launch and ramp times, Khalaf stated that the “new environment” caused Marqeta’s launch
12 time to increase “30% to 40% from 2023.”

13 16. During the same call, Milotich stated that while Marqeta “anticipated challenges as
14 a result of the increased scrutiny,” it “significantly underestimated the impact of constrained
15 resources and evolving processes.” He further acknowledged that Defendants were “very aware of
16 the scrutiny” during early 2024, but claimed that “in the past 2 to 3 months, it has become clear we
17 greatly underestimated the magnitude and time horizon for all parties to adapt to the new standards.”

18 17. Most importantly, Milotich admitted that the average time for onboarding and
19 delivery of new bookings was over 300 days during the first two quarters of 2024, which was more
20 than a 2x increase over the average time during 2023:

21 So if you look at the first few months of 2024, the regulatory scrutiny had clearly
22 ratcheted up with more than 10 consent orders affecting the banks in our space. And
23 so what we saw was an initial spike in the time to launch that was more than 2x the
24 average in 2023. ***So 2023 onboarding and delivery was typically around 150 days roughly. And in Q1, Q2, that rose to over 300 days.*** This was expected given the
25 sort of initial changes and sort of shock of all the changes that were happening. But
26 at the start of Q3, we expected things to get back to where we had been in 2023. But
the new programs on average took about 30% to 40% longer to launch. And so the
time still remained over 200 days when it had previously been about 150 days.

27 18. This admission was shocking. Not only did Milotich admit that launch times during
28 Q3 2024 were materially elevated (over 200 days, which was 30% to 40% higher than the average

1 in 2023), but, worse still, he admitted that launch times during Q1 and Q2 2024 were even higher
2 (over 300 days, which was more than 100% higher than the average in 2023). Defendants' earlier
3 projections, therefore, contained a key undisclosed assumption—that launch times would radically
4 improve during the second half of the year, contrary to the trends during the first half of the year.
5 Defendants not only concealed this assumption, but they affirmatively misled investors by
6 continually representing throughout the Class Period that Marqeta was seeing speeded up launch
7 and delivery times when in fact the trends throughout Q1 and Q2 2024 were precisely the opposite.

8 19. The market was stunned by these revelations. On the news, Marqeta's stock price
9 dropped from a closing price of \$5.95 per share on November 4, 2024 to a closing price of \$3.42
10 per share on November 5, 2024, a decline of roughly 42.5%, wiping out over \$1.3 billion in market
11 capitalization in a single day.

12 **II. JURISDICTION AND VENUE**

13 20. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act
14 (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §
15 240.10b-5).

16 21. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
17 § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

18 22. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section
19 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged securities
20 law violations, and/or the effects of the violations, occurred in this Judicial District. Many of the
21 acts charged herein, including the preparation and dissemination of materially false and/or
22 misleading information, occurred in substantial part in this Judicial District. In addition, the
23 Company's principal executive offices are located in this Judicial District.

24 23. In connection with the acts, transactions, and conduct alleged herein, Defendants
25 directly and indirectly used the means and instrumentalities of interstate commerce, including the
26 United States mail, interstate telephone communications, and the facilities of a national securities
27 exchange.
28

1 **III. PARTIES**

2 **A. Lead Plaintiff**

3 24. Lead Plaintiff Tyler Hogge, as set forth in the Certification filed at Docket No. 21-2,
4 incorporated by reference herein, acquired Marqeta securities at artificially inflated prices during
5 the Class Period and was damaged upon the revelation of the alleged corrective disclosures

6 **B. Defendants**

7 25. Marqeta, Inc. is a Delaware corporation with its principal executive offices located
8 at 180 Grand Avenue, 6th Floor, Oakland, California 94612. During the Class Period, the
9 Company's common stock traded on the NASDAQ Stock Market (the "NASDAQ") under the
10 symbol "MQ."

11 26. Defendant Simon Khalaf ("Khalaf") was the Chief Executive Officer and a Director
12 of Marqeta from January 31, 2023 until February 2025. Khalaf joined Marqeta in June of 2022 as
13 Chief Product Officer. Before joining Marqeta, Khalaf was SVP of Twilio Inc., a publicly-traded
14 cloud communications platform developer, with responsibility for Twilio's Core Products, from
15 May 2019 to June 2022. From June 2017 to May 2019, Khalaf was SVP and General Manager,
16 Media Products, at Verizon, Inc., a publicly-traded communications company. Khalaf holds a
17 Master of Science in Electrical Engineering from Syracuse University and a Bachelor of
18 Engineering in Electrical Engineering from American University of Beirut.

19 27. Defendant Michael Milotich ("Milotich") has served as Chief Financial Officer of
20 Marqeta since February 2022 and replaced Khalaf as interim CEO in February 2025. Prior to joining
21 Marqeta, Milotich was SVP, Head of Corporate Finance and Investor Relations at Visa Inc. from
22 November 2018 to February 2022. He previously served in a number of finance roles of increasing
23 seniority at Visa since 2011, most recently as Senior Vice President, Head of Investors Relations
24 from April 2018 to November 2018 and Vice President, Corporate FP&A and Business Analyst
25 Lead from December 2014 to April 2018. Milotich holds a Master of Business Administration in
26 Strategy and Finance from the Stern School of Business at New York University and a Bachelor of
27 Arts in Business Economics from the University of California, Santa Barbara.

1 28. Defendants Khalaf and Milotich are sometimes referred to herein as the “Individual
2 Defendants.” Marqeta together with the Individual Defendants are referred to herein as the
3 “Defendants.”

4 29. The Individual Defendants, because of their positions with the Company, possessed
5 the power and authority to control the contents of Marqeta’s reports to the SEC, press releases, and
6 presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*,
7 the market. Each Individual Defendant was provided with copies of the Company’s reports and
8 press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the
9 ability and opportunity to prevent their issuance or cause them to be corrected. Because of their
10 positions and access to material non-public information available to them, each of these Individual
11 Defendants knew that the adverse facts specified herein had not been disclosed to, and were being
12 concealed from, the public, and that the positive representations which were being made were then
13 materially false and/or misleading. The Individual Defendants are liable for the false statements
14 pleaded herein, as those statements were each “group-published” information, the result of the
15 collective actions of the Individual Defendants.

16 **C. Relevant Non-Parties**

17 30. Jerry Baker (“Baker”) was the Head of Regulatory Compliance at Marqeta from
18 August 2022 until March 2024. Prior to his role at Marqeta, Baker was the Director of Risk
19 Management and Compliance – US Cards and Banking Operations for Discovery Financial
20 Services.

21 31. Graydon Latson (“Latson”) was a Senior Compliance Manager at Marqueta from
22 September 2021 until March 2024. Prior to his role at Marqeta, Latson was a Compliance Officer
23 at Acorns from July 2019 until September 2024, and Vice President, Senior Compliance Officer at
24 PIMCO from April 2007 until July 2019 .

25 32. Crystal Sumner (“Sumner”) was Marqeta’s Chief Legal and Compliance Officer
26 from June 2016 until February 2023, at which time she became Chief Legal Officer and Interim
27 Chief People Officer. In February 2024, Sumner was named Chief Administrative Officer and
28 continues to serve in that position.

1 33. Alan Carlisle (“Carlisle”) was announced as Marqeta’s Chief Compliance Officer in
2 December 2023 and continues to serve in that position. Carlisle has also been a freelance strategic
3 advisor for various companies since 2022 and continues to hold that position. From December 2016
4 until July 2022, Carlisle was the SVP, Enterprise Chief Compliance Officer at SoFi.

5 34. Jason Gardner (“Gardner”) was the founder of Marqeta and served as its CEO until
6 January 2023, at which time he was named its Executive Chairman of the Board. Gardner has been
7 a member of Marqeta’s Board of Directors since November 2010.

8 35. Former employee 1 (“FE1”) was a Compliance Manager at Marqeta who joined
9 Marqeta in November 2023. Prior to joining Marqeta, FE1 worked with Baker at Discover Financial
10 Services. FE1’s day-to-day responsibilities included overseeing all compliance and legal policies,
11 compliance procedures training and compliance program development from an operational
12 standpoint. FE1 reported to Baker, until he was terminated in March 2024, at which time she began
13 reporting to Carlisle. FE1 resigned in April 2024 because of the Company’s “systematic and
14 profound disinterest in compliance.”

15 36. Former employee 2 (“FE2”) worked in Governance, Risk and Compliance from May
16 2021 until July 2022 and was Senior, Cybersecurity Governance & Risk Management at Marqeta
17 from July 2022 until July 2024. FE2 helped build Marqeta’s IT cybersecurity risk program and
18 created and tracked risks at the Company through a tool called OneTrust. FE2 joined the compliance
19 teams on calls concerning Reg E and Reg Z so FE2 could provide a risk perspective and determine
20 what could be done to track these in OneTrust. FE2 helped build Marqeta’s IT cybersecurity risk
21 program and created and tracked risks at the Company through a tool called OneTrust. FE2
22 explained that there was a dashboard within the tool that showed how many risks the Company had,
23 and they were tagged and categorized by priority. They would also show whether the risks affected
24 things like System and Organization Controls (“SOC”) audits and Sarbanes Oxley audits. FE2 left
25 Marqeta in July 2024 because FE2 felt its future was in jeopardy, stating that “you tend to get a gut
26 instinct when a ship is going down, and that was the instinct.”

27 37. Former employee 3 (“FE3”) was a Senior Privacy Manager from November 2021
28 until July 2023, and Director of Privacy and Data Protection at Marqueta from July 2023 until

1 December 2024. FE3 was hired to implement and upgrade the privacy program, which included
2 ensuring the Company was meeting regulatory requirements under the General Data Protection
3 Regulation, a European Union regulation governing data privacy. FE3 reported to Anna Chu-
4 Sumida, Vice President of Cybersecurity Strategy and Governance, Risk and Compliance. Chu-
5 Sumida reported to Chief Compliance Officer Dan Adams until late 2023, at which time she began
6 reporting to the Chief Information Security Officer. FE3 left Marqeta in December 2024 because
7 FE3 was too expensive and Marqeta was trying to save money.

8 38. Former employee 4 (“FE4”) was a Senior Operations Analyst at Marqeta from
9 February 2023 until September 2024. FE4 worked on the global customer support operations team,
10 which reported to Head of Global Customer Support Beth Zosh, who reported to SVP Matt Sollie.
11 FE4’s team was involved in the onboarding process and was responsible for making sure that
12 customers were set up to take phone calls and handle emails.

13 **IV. BACKGROUND**

14 **A. Overview of the Company**

15 39. Marqeta is a financial services company with debit, prepaid, and credit programs,
16 and provides banking and money movement, risk management, and rewards products. The
17 Company operates as a single operating segment and reporting unit. Marqeta’s customers can issue
18 debit, prepaid, and credit cards, including instant provision of a tokenized card to a digital wallet.
19 Marqeta allows its customers to control transaction processing through dynamic spend controls and
20 real-time decision making via its Just-in-Time (“JIT”) Funding feature. Marqeta for Banking
21 provides its customers access to a suite of bank account and money movement features offered
22 through its Issuing Bank partners, including demand deposit accounts, direct deposit with early pay,
23 automated clearing house (“ACH”), cash loads, and fee-free ATMs, bill pay, and instant funding
24 capabilities. Marqeta’s RiskControl product handles risk and compliance concerns, including
25 fraudulent transactions, verifying the identity of cardholder applicants, authenticating cardholders
26 and authorizing online transactions, and managing disputes and chargebacks.

27 40. The Marqeta dashboard is a self-service portal that allows its customers to access and
28 manage all aspects of their card program, including card configuration, servicing cardholders,

1 tracking data and insights, managing disputes, and accessing RiskControl capabilities. In addition
2 to providing customers with issuer processor services, Marqeta acts as a card program manager for
3 most of its customers. Marqeta's products are offered through Managed By Marqeta ("MxM")
4 and Powered By Marqeta ("PxM"), which are distinguished by the customer's level of control and
5 responsibility.

6 41. With MxM, Marqeta typically connects customers to an Issuing Bank to act as the
7 BIN sponsor for the customer's card program, manages the customer's card program on behalf of
8 the Issuing Bank, and provides a full range of services including configuring many of the critical
9 resources required by a customer's production environment. In addition to providing the customer
10 access to the Marqeta dashboard, Marqeta manages tasks related to launching a card program, such
11 as defining and managing the program with the Card Networks⁶ and Issuing Bank, operating the
12 program and managing certain profitability components, and managing compliance with applicable
13 regulations, the Issuing Bank, and Card Network rules. Also available are a variety of managed
14 services, including dispute management, fraud scoring, card fulfillment, reconciliation, and
15 cardholder support services.

16 42. With PxM, Marqeta provides customers access to the Marqeta dashboard via
17 application programming interfaces ("APIs"), provides payment processing, and assists with certain
18 configuration elements that enable the customer to use the platform independently. PxM customers
19 are typically responsible for other elements of the card program, including defining and managing
20 the program with the Card Networks and Issuing Bank as well as managing compliance with
21 applicable regulations, the Issuing Bank, and Card Network rules.

22 43. Customers may adopt some combination of the MxM managed services even when
23 not adopting the full MxM offering.

24 44. Because Marqeta operates as a single operating segment and reporting unit, it does
25 not break down how much of its revenues derive from its MxM customers as opposed to its PxM
26

27 ⁶ "Card Networks" provide the infrastructure for settlement and card payment information that flows
28 between an Issuer Processor and an Acquirer Processor.

1 customers. In its Form 10-K for the year ended December 31, 2023 filed on February 28, 2024 (the
2 “2023 10-K”), Marqeta stated that it “*primarily* earns revenue from processing card transactions for
3 its customers.” The 2023 10-K also states that Marqeta “provides *all of its customers issuer*
4 *processor services* and *for most of its customers it also acts as a card program manager.*”

5 45. Marqeta’s debit and prepaid card programs are subject to various federal and state
6 laws and regulations, including among other statutes and regulations, the Electronic Fund Transfer
7 Act and its implementing Regulation E, which establishes the basic rights, liabilities, and
8 responsibilities of consumers who use electronic fund transfer services and of financial institutions
9 that offer these services. Regulation E includes requirements specific to consumer prepaid accounts,
10 including certain accounts that are capable of being loaded with funds and whose primary function
11 is to conduct transactions with multiple, unaffiliated merchants, at ATMs, or for person-to-person
12 transfers. These regulations include, among other things, disclosure of fees to the consumer prior
13 to the creation of a prepaid account, liability limits and error-resolution requirements, regulation of
14 prepaid accounts with overdraft and credit features, and the submission of prepaid account
15 agreements to the Consumer Financial Protection Bureau and the publication of such agreements to
16 the general public.

17 46. Marqeta is directly or indirectly subject to various federal and state consumer credit
18 protection regimes as a result of its credit platform and relationship with originating Issuing Banks,
19 including, among others the Equal Credit Opportunity Act and Regulation B promulgated
20 thereunder, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions
21 Act, and Regulation V promulgated thereunder, the Truth-in-Lending Act, as amended by the Credit
22 Card Accountability, Responsibility, and Disclosure Act of 2009, and Regulation Z promulgated
23 thereunder, and the Military Lending Act.

24 47. According to FE1, Marqeta had to comply with both Regulation E (“Reg E”) and
25 Regulation Z (“Reg Z”) and was particularly focused on Reg Z. Reg Z refers to the Truth in Lending
26 Act, which regulates credit, how to treat account balances upon account termination, billing
27 resolution, determination of APR, advertising, records retention and a variety of other transaction
28 related matters. Reg E, the Electronic Funds Transfer Act, regulates all transactions that move

1 money from one place to another, which includes ATMs, point of sale transfers, international money
 2 transfers, things around disclosures, procedures for resolving errors and other issues. FE1 said
 3 Marqeta's compliance team was responsible for all responses to external auditors, including auditors
 4 from the bank partners and regulators, as well as conduct compliance training and risk assessments.

5 48. FE1 said the regulatory compliance team met weekly, the compliance team as a
 6 whole met monthly, and the compliance and legal departments additionally met together on a
 7 monthly basis. The weekly regulatory compliance team meeting was attended by Carlisle, Baker
 8 and Latson. The monthly compliance meetings included these same individuals, as well as Erika
 9 Giovanetti, Head of Anti-financial Crimes Risk and Compliance, and the entire legal department,
 10 including Sumner. FE1 also attended the Company's all-hands meetings via Teams at least monthly.

11 **B. Pre-Class Period Events**

12 **1. During 2023 And The First Half Of 2024, Regulatory Scrutiny On The** 13 **FinTech Industry And Banks Serving The FinTech Industry Increases**

14 49. Prior to Marqeta's announcement of restructuring in May 2023, *see* ¶58, *infra*, on
 15 April 27, 2023, Gilles Gade, the CEO of Cross River issued a press release stating, "Regulatory
 16 scrutiny on banks in general is increasing and the events with [Silicon Valley Bank] will only expand
 17 those efforts with a specific focus on banks that support fintech."⁷ The following day the FDIC
 18 revealed that it had entered into a March 8, 2023 consent order with Cross River.⁸⁹ The FDIC
 19 alleged Cross River engaged in "unsafe and unsound" practices related to fair lending laws and
 20 regulations and failed to "establish and maintain internal controls, information systems, and prudent
 21 credit underwriting practices." The order prohibited Cross River from entering into any new
 22 partnerships with third parties or offering new credit products without the FDIC's approval and
 23 required it to bolster its oversight and monitoring of internal controls, information systems, credit
 24 underwriting practices and internal audit systems related to consumer protection laws.

25 _____
 26 ⁷ <https://www.crossriver.com/newsroom/q1-message-from-gilles>

27 ⁸ <https://www.fdic.gov/news/press-releases/2023/pr23032.html>

28 ⁹ *See* ¶3, n.2, *supra*.

1 50. In June 2023, the FDIC, Federal Reserve Board, and OCC issued interagency
2 guidance on managing risks associated with third-party relationships, including relationships with
3 fintech companies. The guidance stated that “[s]upervisory reviews will evaluate risks and the
4 effectiveness of risk management to determine whether activities are conducted in a safe and sound
5 manner and in compliance with applicable laws and regulations.”

6 51. On November 21, 2023, First Fed, another fintech focused bank, entered into a
7 consent order with the FDIC in connection with Quin Ventures, a fintech it developed through a
8 joint venture with POM Peace of Mind, Inc. in 2021.¹⁰ The FDIC said First Fed “engaged in unsafe
9 or unsound banking practices [and] deceptive and unfair acts and practices in or affecting
10 commerce.” First Fed was required to correct all violations set forth in the order and implement
11 policies that would enhance its third-party oversight. First Fed was also required to obtain the FDIC
12 regional director’s written non-objection prior to entering into a binding commitment or agreement
13 with a new third party.

14 52. In January and February 2024, a number of financial institutions with BaaS
15 partnerships entered into consent orders with regulators. Among other issues, the FDIC found banks
16 had failed to adequately ensure compliance related to the Bank Secrecy Act (“BSA”), lack of
17 adequate internal controls and information systems relative to their size and the complexity of its
18 third-party relationships, lack of oversight of business arrangements, weaknesses in board
19 supervision of asset growth. FE3 said consent orders impacted most of the banks Marqeta dealt
20 with and were a somewhat frequent topic of conversation among Marqeta attorneys.

21 53. Blue Ridge Bank (“Blue Ridge”), a fintech focused bank, entered a consent order on
22 January 24, 2024 with the OCC.¹¹ The OCC said the Blue Ridge was in “troubled condition” due
23 to its failure to establish and maintain a strong and well-staffed Bank Secrecy Act/Anti-Money
24 Laundering (“BSA/AML”) compliance program. The OCC alleged that Blue Ridge’s BSA/AML
25 program experienced systemic internal controls breakdowns and had weak independent testing.

26
27 ¹⁰ See ¶3, n.3, *supra*.

28 ¹¹ <https://occ.gov/static/enforcement-actions/eaAA-ENF-2023-68.pdf>

1 Blue Ridge was required to obtain permission from the OCC prior to starting up any new third-party
 2 fintech relationships or growing ones that were already active. Blue Ridge was also required to
 3 implement and adhere to various corrective measures related to risks posed by third-party
 4 relationships and its Bank Secrecy Act Risk Assessment Program.

5 54. Lineage Bank was another fintech focused bank that entered into a consent order
 6 with the FDIC on January 30, 2024 in connection with allegations of unsafe or unsound banking
 7 practices relating to its Third-Party Risk Management Program and its fintech partners.¹² Lineage
 8 was required to implement an enhanced risk management program, increase capital levels, and let
 9 go of some fintech partners.

10 55. On February 1, 2024, Sutton Bank (“Sutton”) entered into a consent order with the
 11 FDIC.¹³ Sutton was Marqeta’s largest Issuing Bank partner by processing volume. For the years
 12 ended December 31, 2023, 2022 and 2021, 76%, 82% and 90% of Marqeta’s Total Processing
 13 Volume was settled through Sutton Bank, respectively. The consent order required Sutton to revise
 14 its AML/CFT program designed to maintain bank compliance with the Bank Secrecy Act within
 15 180 days. Sutton was required to “develop appropriate policies and procedures relating to third-
 16 party risk management,” and compile an inventory of those relationships. It also ordered Sutton to
 17 designate program managers responsible for customer identification programs, transaction
 18 monitoring, independent testing and reporting suspicious activity for each partnership. Within 60
 19 days of the order, Sutton was required to devise a plan to review all prepaid card customers since
 20 July 1, 2020, to ensure the bank knows their true identities.

21 56. On February 27, 2024, Piermont bank entered into a consent order with the FDIC.¹⁴

22
 23 _____
 12

24 <https://orders.fdic.gov/sfc/servlet.shepherd/document/download/0693d00000BrEIHAAY?operationContext=S1>

25 ¹³ See ¶3, n.4, *supra*.

26
 27 _____
 14

28 <https://orders.fdic.gov/sfc/servlet.shepherd/document/download/0693d00000CMxbNAAT?operationContext=S1>

1 The order required Piermont to review all transactions since September 2022 to ensure all suspicious
 2 activity was reported and to review Electronic Funds Transfer Act disputes since August 2020. It
 3 also outlined requirements related to maintaining “an appropriate number” of bank officers,
 4 establishing systems and procedures to maintain compliance, ensuring an appropriately sized
 5 internal audit, and assessing whether the bank’s board committee members have appropriate
 6 expertise. Within 90 days of the order, Piermont was ordered to conduct a review of the data,
 7 documents and records related to its operations, bank activities and third-party relationships. That
 8 assessment was required to consider whether the data “appropriately enables the bank to operate . . .
 9 in a safe and sound manner,” and to determine whether its third-party relationships comply with
 10 laws and regulations. Piermont was given 120 days to review whether its third-party relationships
 11 program has the appropriate due diligence procedures, written agreement parameters, policies
 12 related to oversight and monitoring, data, systems and reporting, and recommendation and approval
 13 processes.

14 57. An April 3, 2024 article discussing the increased regulatory scrutiny stated that
 15 “[t]hroughout the banking sector, there’s a general sense of regulatory dread around which bank
 16 will wind up in the news next.”¹⁵ The CEO of Piermont, one of the banks that received a consent
 17 order stated, “Every bank that touches BaaS is getting an enforcement action.”¹⁶ The April 3, 2024
 18 article stated that “Banks with BaaS relationships or fintech partnerships should expect the FDIC to
 19 dig deeper into those relationships, especially as they relate to BSA-related compliance. It’s past
 20 time to ensure that all activities remain 100% compliant with federal banking laws, particularly in
 21 BSA-related activity.” Matthew Smith, president of Bankers Helping Bankers, noted that “Banks
 22 that chose to outsource their risk [to third-party partners] will continue to be at risk of regulatory
 23 scrutiny.”¹⁷

24 ¹⁵ [https://www.emarketer.com/content/two-more-banks-with-baas-partnerships-hit-with-fdic-](https://www.emarketer.com/content/two-more-banks-with-baas-partnerships-hit-with-fdic-consent-orders)
 25 [consent-orders](https://www.emarketer.com/content/two-more-banks-with-baas-partnerships-hit-with-fdic-consent-orders)

26 ¹⁶ *Id.*

27 ¹⁷ [https://www.bankingdive.com/news/piermont-sutton-bank-fdic-consent-orders-aml-bsa-baas-](https://www.bankingdive.com/news/piermont-sutton-bank-fdic-consent-orders-aml-bsa-baas-third-party-partners/711815/)
 28 [third-party-partners/711815/](https://www.bankingdive.com/news/piermont-sutton-bank-fdic-consent-orders-aml-bsa-baas-third-party-partners/711815/)

1 **2. Marqeta Restructuring Results In Compliance Staffing Shortages,**
2 **While Management Isolates Onboarding From Compliance Operations**

3 58. In January 2023, Gardner stepped down as Marqeta's CEO and was named its
4 Executive Chairman of the Board and Defendant Khalaf assumed the CEO position. FE3 said that
5 Marqeta's company culture "went to crap" when Gardner stepped down as CEO. On May 9, 2023,
6 Defendants Khalaf and Milotich announced that they were restructuring the Company to increase
7 efficiency and reduce adjusted operating expenses by \$40 million to \$45 million on an annual run
8 rate basis and that this restructuring would include a 15% headcount reduction. On November 7,
9 2023, Marqeta held its Q3 2023 earnings call and Defendant Milotich informed investors that
10 Marqeta intended to add headcount in a lower cost jurisdiction, yet "these hires are being delayed
11 through the middle of next year."

12 59. When FE1 joined Marqeta as a Compliance Manager in November 2023, there were
13 only three other employees assigned to regulatory compliance - Baker, Latson, and Annia Prado,
14 Consumer Compliance Manager. FE1 said Latson was hired in 2021 and Baker was hired in 2022
15 to build the Company's regulatory compliance program and was also responsible for compliance
16 testing. When FE1 joined Marqeta, FE1 noticed immediately that resources were a problem and
17 added that a company the size of Marqeta can't build a regulatory program with two people. FE1
18 said resources were a problem immediately and while Marqeta advertised itself as a compliance-
19 first company, not just a payment processor, it was not set up to be a compliance-first company.
20 FE1 said Marqeta did not have the staffing resources, tools or data to do that.

21 60. FE1 also said Marqeta did not have an international compliance team and the
22 compliance team informed the C-suite executives that they were not certified to do foreign
23 compliance, much less in the sheer number of countries that Marqeta works in. FE1 said there was
24 one person dedicated to compliance in the EU who quit because she wasn't properly supported. FE1
25 said Marqeta was also hiring for regulatory compliance positions in Poland; however, these
26 positions ended up performing tasks more related to data analytics. FE1 provided an example of an
27 international compliance failure where Marqeta was the payment processing company for a vendor
28 in Quebec and account disclosures were not being offered in French in violation of local laws.

1 61. In December 2023, Marqeta announced that Carlisle had been appointed its Chief
2 Compliance Officer. FE1 said Baker told Carlisle and Sumner that the regulatory compliance team
3 needed additional resources, and Baker briefed FE1 on those conversations. FE1 said Baker had
4 been making these requests consistently for at least a year prior to FE1's hiring. FE1 also made
5 direct requests to Carlisle and Sumner for additional resources, on a weekly basis, and sometimes
6 multiple times a week, and they acknowledged that compliance was understaffed. FE1 recounted a
7 January 2024 one-on-one virtual meeting over Teams that FE1 had with Sumner where they
8 discussed that the regulatory compliance team was understaffed. During this meeting, FE1 also told
9 Sumner that FE1 was "deeply concerned" with the amount of work Baker and Latson had on their
10 plates and informed Sumner that the lack of support was going to cause long-term problems. FE1
11 said Sumner's response was "we know and we care and we're on it."

12 62. Based on FE1's decade of experience in the industry and conversations with Baker
13 and Latson about the resources needed, FE1 concluded that Marqeta should have had between 30
14 and 35 people in regulatory compliance. FE1 said Carlisle and Baker developed a compliance plan
15 for expanding the department and FE1 and others were told in December 2023 that Marqeta would
16 be adding 11 new positions by the end of 2024. FE1 stated that even with the new hires the team
17 would still be short by about 20 people. FE1 also recalled that in an all-hands meeting Khalaf said
18 compliance was Marqeta's "number one responsibility." According to FE1, however, Khalaf must
19 have known the compliance team was understaffed, because he approved hiring 11 people for the
20 team.

21 63. FE1 said that the compliance team was sidelined from the onboarding process
22 through some management decision that occurred before FE1 was hired, which unsurprisingly led
23 to compliance issues. FE1 said the compliance team should have been involved with the customer
24 prior to signing the deal, obtaining the necessary documentation and data around regulations, such
25 as Reg E, the Electronic Funds Transfer Act. FE1 said the compliance team was sidelined and
26 required to submit a multitude of information requests to the customers. FE1 told Carlisle on
27 multiple occasions in compliance team meetings in early 2024 that the compliance team needed to
28 be involved with the onboarding process. FE1 was told that the legal department was involved with

1 onboarding and that was sufficient, which FE1 said was a fundamental misunderstanding of how
2 regulatory compliance should work.

3 64. FE1 believes that the regulatory compliance team was excluded from the onboarding
4 process because the team would have made the process “more complicated.” FE1 explained that
5 “there are a lot of regulatory requirements you need to meet, and if you properly meet those, there
6 are a lot of programs that wouldn’t have contracts with Marqeta, because it wouldn’t meet the risk
7 threshold.”

8 65. FE3 said the onboarding team was isolated from the rest of the company and did not
9 want anyone touching any of their business. FE3 believed that as the employee in charge of ensuring
10 privacy protections, FE3 should have had access to the onboarding process. FE3 was “pushed to
11 the side or ignored” every time FE3 reached out to the onboarding team to understand something.

12 66. FE3 also said the compliance team lacked the staffing and support to make decisions
13 to complete their tasks. FE3 noted that Marqeta constantly removed mid-level management and
14 hired people of lesser experience, overloading people with work. FE3 specifically noted that the
15 Know-Your-Customer “KYC” team was overloaded. FE3 explained that the person applying for
16 the payment card would submit information to confirm their identity and sometimes additional
17 documents, such as a utility bill, were requested to validate the information. The KYC team
18 manually reviewed these documents, to complete the validations.

19 **3. Marqeta Identifies A Material Weakness In IT Controls, Causing**
20 **Onboarding Delays**

21 67. According to FE2, in Q3 2023 four of Marqeta’s internal controls on the IT side
22 failed an external Sarbanes Oxley audit, which resulted a material weakness that required disclosure
23 in Marqeta’s 2023 10-K. FE2 said an earlier internal audit discovered the same weakness, yet the
24 employees who were working on remedying the issue had been laid off and fixing these issues was
25 pushed aside. FE2 learned this because FE2 was tasked with piecing together what happened when
26 the external audit showed the material weakness. FE2 noted that the Head of Internal Audit reported
27 directly to the CFO, so Marqeta’s executive leadership should have been briefed on the relevant
28 events.

1 68. With respect to the material weaknesses, Marqeta's 2023 10-K disclosed:

2 Management identified a material weakness related to the accounting for the Company's
3 acquisition of Power Finance, including a lack of sufficient precision in the performance of
4 reviews supporting the purchase price allocation accounting, and a lack of timely oversight
5 over third-party specialists and the reports they produced to support the accounting for the
6 Power Finance acquisition.

7 Management identified a material weakness related to ineffective information technology
8 general controls ("ITGCs") in user access over certain information technology ("IT")
9 systems that support the Company's revenue and related financial reporting processes. As a
10 result, the related process-level IT dependent manual controls, certain change management
11 controls, and automated application controls for certain key IT systems were also deemed
12 ineffective.

13 69. The 2023 10-K also discussed management's plan to remediate these weaknesses,
14 stating:

15 Our management is committed to maintaining a strong internal control environment. As it
16 relates to the Business Combination Material Weakness, we have and will continue to take
17 actions to enhance the design of our business combination controls with the level of precision
18 required to operate them in an effective manner. We will continue to enhance our
19 management review control activities, including the review of inputs, assumptions and
20 reports produced by third-party specialists supporting the purchase price allocation
21 accounting and the application of technical accounting principles.

22 To remediate the ITGC Material Weakness, we are enhancing the design of our ITGCs over
23 the IT systems that support the Company's revenue and related financial reporting processes,
24 including, (i) developing and implementing additional training and awareness addressing
25 ITGCs and policies, including educating control owners concerning the principles and
26 requirements of each control, with a focus on user access; (ii) increasing the extent of
27 oversight and verification checks included in operation of user access controls and processes;
28 (iii) deploying additional tools to support administration of user access; and (iv) enhancing
quarterly management reporting on the remediation measures to the audit committee of the
board of directors. Although we intend to complete the remediation process as promptly as
possible, we will not be able to fully remediate the ITGC Material Weakness until these steps
have been completed and the controls are operating effectively.

70. FE2 said there was a massive push to get the material weakness off the books by the
second quarter of 2024 and a lot of resources got shifted to that focus. FE2 said this shift in resources
contributed to onboarding delays at Marqeta.

71. In addition, according to FE3, an external SOC audit performed by Schellman, a
third-party vendor, found a significant security flaw at Marqeta in January 2024 that consumed the
engineering team's time and likely resulted in some onboarding delays.

72. FE4's team was involved in the onboarding process and was responsible for making sure that customers were set up to take phone calls and handle emails. FE4 said this was a "much lighter" part of the process than the tech side, which involved integrating the customer into the Marqeta network. According to FE4, in December 2023 and January 2024, onboarding times were becoming longer and longer, noting that there were times when the tech teams could not move forward to get clients into the network. With respect to the onboarding time increasing from 150 days to 300, FE4 was said "I wouldn't be shocked if it had doubled." FE4 said the delays were caused by an issue with the network, or waiting to get some piece of information, or focus on getting other priorities done. FE4 said these other priorities were whatever "struck the fancy" of upper management, such as landing a larger client. FE4 heard some of these explanations during weekly team meetings.

V. CLASS PERIOD EVENTS

A. Defendants Announce Results For Q4 And FY 2023, Issue Guidance For FY 2024, And Project Sharp Ramp Up Of Growth During Second Half Of 2024, Touting Improved Launch Times And Investments In Regulatory Compliance

73. The Class Period starts on February 28, 2024. On that day, Marqeta announced its financial results for Q4 2023 and FY 2023, and Defendants held an earnings call to discuss those results.

74. In its press release announcing these results, Marqeta reported that total processing volume ("TPV") for Q4 2023 was \$62 billion, a year-over-year increase of 33%, and that TPV for full year 2023 was \$222 billion, a year-over-year increase of 34%.

75. During Marqeta's earnings call on the same day, Defendants issued guidance for fiscal 2024, projecting a contraction of net revenue between 20% to 24%, but an increase in gross profit growth of 6% to 9%. Defendants emphasized that their projections for the first half of 2024 were "meaningfully different" from their projections for the second half of 2024. For the second half of 2024, Defendants projected *net revenue growth of 23% to 26%* and *gross profit growth of 23% to 26%*. Thus, after a first half expected to be weighed down by issues relating to renewal of the Cash App program, Defendants expected that growth in the second half would rapidly accelerate,

1 in large part due to the launch and ramping up of new programs throughout the year and “a more
2 efficient cost structure while maintaining compliance, security and innovation.”

3 76. As CFO Milotich explained:

4 ***Our financial performance will be meaningfully different in the first and second***
5 ***halves of 2024***, primarily for two reasons. First, the lapping of the effects of the Cash
6 App renewal will dissipate at the start of Q3. Second, ***the revitalization and strength***
7 ***of our sales bookings since Q4 of 2022 should lead to a fair amount of new***
8 ***business launching and ramping on our platform throughout the year. The***
9 ***contribution of these bookings to net revenue and gross profit will increase each***
10 ***quarter, further accentuating the difference in our first and second half growth***
11 ***rates. . . .***

12 ***We expect net revenue growth in the second half of 2024 to reaccelerate to 23% to***
13 ***26%***, primarily driven by three factors. First, lapping the Cash App revenue
14 presentation change. Second, realizing existing customers growth as we lap all the
15 elevated renewal activity. And third, ***benefiting from the ramping new programs as***
16 ***we progress through the year.***

17 ***Second half 2024 gross profit growth is also expected to be in the 23% to 26%***
18 ***range, consistent with net revenue.*** This second half gross profit growth is expected
19 to be a little higher than what we shared with you at Investor Day due to a positive
20 business mix and expected shifts in a couple of existing program constructs where
21 we currently incur excessive network fees. . . .

22 ***In conclusion, we are exiting 2023 with great business momentum and a solid***
23 ***foundation to deliver sustainable growth, profitability, and innovation in 2024 and***
24 ***beyond.*** Our excitement and confidence is primarily driven by three factors. First, by
25 renewing over 80% of our TPV in the last seven quarters, most of which are in
26 contracts of at least four years, we have secured our attractive customer base and
27 opened up potential cross selling opportunities as we continue to expand our platform
28 capabilities. This was short-term pain for long-term gain. Second, we are starting to
get contributions from ramping new use cases such as BNPL Pay Anywhere cards
and accelerated wage access. ***As we move through 2024, this will be combined with***
ramping new cohorts that result from our improved sales performance that
delivered over 50% bookings growth in 2023. Third, we are getting early customer
traction with our new credit capabilities, signing our first two customers to leverage
our fully modern scaled issuer credit platform for innovators. . . .

Lastly, we have achieved a more efficient cost structure while maintaining
compliance, security and innovation that will power profitable growth for years to
come. Starting in the second half of 2024, our business and financial metrics are
expected to reflect this momentum as we return to growth.

1 77. According to Defendants, one of the factors contributing to Marqeta's momentum
 2 entering into 2024 was a significant improvement in Marqeta's speed in launching new programs.
 3 As CEO Khalaf explained during the call:

4 In addition to growing our bookings, *we also made great strides in accelerating the*
 5 *time to launch for new programs signed to convert these bookings into revenue*
 6 *and gross profits faster. On average, the time between close and launch in Q4 of*
 7 *this year was about 100 days better than the previous year.* This was achieved
 without adding significant resources by focusing on solutions architecture and using
 preconfigured card constructs.

8 78. However, as Defendants later disclosed at the end of the Class Period, Marqeta's
 9 average time for the onboarding and delivery of new programs was roughly 150 days in 2023, but
 10 that time more than doubled to >300 days during Q1 and Q2 2024 due to heightened regulatory
 11 scrutiny. At the time of Khalaf's comment, Q1 2024 was already 66% complete, so Marqeta's
 12 timeframe for onboarding new programs had already increased substantially. *See ¶¶106-10, infra.*
 13 Thus, Khalaf's description of Marqeta's "great strides in accelerating the time to launch new
 14 programs" was materially misleading, because the positive trend of improving launch times during
 15 Q4 2023 had already degraded and reversed by the time of Khalaf's statement.

16 79. During the February 28, 2024 earnings call, an analyst asked about the regulatory
 17 environment and how that might affect Marqeta's outlook. CEO Khalaf responded by stating that
 18 Marqeta had invested significant resources in regulatory compliance and that Defendants felt
 19 comfortable with the regulatory environment. CFO Milotich added that, despite "some disruption
 20 in the marketplace" relating to regulatory scrutiny, Marqeta's investments in regulatory compliance
 21 provided it with a competitive advantage as customers made a "flight to quality" in selecting a
 22 platform for their card programs:

23 CHRIS KENNEDY, ANALYST, WILLIAM BLAIR:

24 Can you provide an update on the regulatory environment for banking as a service
 25 and embedded finance and kind of how you view that operating environment? . . .

26 SIMON KHALAF:

27 Thanks, Chris. *I would say there's no changes. There's not much that we can talk*
 28 *about, either positive or negative. I'd say that the environment is, remains healthy.*

1 I mean, the great news about a lot of what's going on in embedded finance is
2 solutions that are catering to the unbanked and the underbanked.

3 There's no question that Buy Now, Pay Later has opened the credit box and provided
4 what is effectively lending without the 29% APR. So that's definitely helping the
5 community. And same thing with SMBs, they're kind of like the forgotten entity. So
6 I do – there's a lot of goodness that is happening with these solutions. So I do – *we're
7 comfortable with the regulatory environment.* The second thing I'd say is, *as a
company, we have invested in program management and we've invested in
compliance. We've invested in a lot of these services, because, number one, we take
it very seriously.*

8 And the second thing is that when we target the brands, especially in embedded
9 finance, the last thing we want is bring them regulatory trouble. So *I think we've
taken this very seriously as a platform.*

10 MIKE MILOTICH:

11 And I think, as you maybe referred to, Chris, I mean, some of the announcements out
12 there about BaaS platforms and some of the banks to do business with, the more of
13 those announcements, you know *there's definitely a component of a flight to quality
14 which we think we are the beneficiaries of, just given our scale and the level of
investment, and we were one of the first movers in this space. So we think that
15 although you know, it's unfortunate, you know that there's some disruption in the
marketplace like that, I think, you know generally speaking, we're definitely more
of a beneficiary than something that hurts us.*

16 80. On February 28, 2024, Marqeta also filed its 2023 10-K with the SEC. The 2023 10-
17 K was signed by both Khalaf and Milotich. In the "Risk Factors" section of the 2023 10-K,
18 Defendants described in hypothetical terms certain risks Marqeta might face with respect to
19 extended onboarding times and regulatory compliance issues.

20 81. With respect to onboarding, Defendants stated that "[i]f we fail . . . to onboard [new
21 customers] quickly, then we may not be able to continue to grow our net revenue." See ¶119,
22 *infra* (articulating this risk factor statement more completely). This risk factor statement was
23 materially misleading because it described the risk in purely contingent, hypothetical terms and
24 failed to disclose that the risk had already materialized in substantial part, because Marqeta's
25 onboarding times had dramatically increased during Q1 2024, which was already 66% complete at
26 the time the 2023 10-K was filed.

27 82. With respect to regulatory compliance, Defendants stated, *inter alia*, that "changes
28 in . . . enforcement of existing regulations may have an adverse effect on our business, results of

1 operations, and financial condition” See ¶121, *infra* (articulating this risk factor statement
 2 more completely). This risk factor statement was materially misleading because it described the
 3 risk in purely contingent, hypothetical terms and failed to disclose that this risk factor had already
 4 materialized in substantial part, because Marqeta had already experienced a substantial increase in
 5 onboarding times due to heightened regulatory scrutiny, which was delaying launches.

6 83. The market’s reaction to Marqeta’s Q4 2023 and FY 2023 financial results and its
 7 guidance for FY 2024 was mixed, but analysts were encouraged by Marqeta’s projections for the
 8 second half of 2024. According to a report published by Barclays on February 28, 2024, “MQ
 9 printed a strong Q4, beating Street estimates across net revenue, gross profit, and adj. EBITDA. ***On***
 10 ***FY24, timing issues weigh on 1H24 gross profit growth, but followed by a stronger 2H than***
 11 ***expected.***”

12 84. Similarly, a report published by J.P. Morgan on February 29, 2024 stated:

13 ***Marqeta reported a solid 4Q with revenue, gross profit and adj. EBITDA all ahead***
 14 ***of guidance and Street expectations***, while raising its FY24 EBITDA outlook
 15 against a reiterated gross profit expectation. ***Underlying trends were encouraging***,
 16 with core verticals performing well including BNPL and AWA (now 3% of TPV),
 17 and ex-Cash App gross profit growth accelerating 5ppts+ sequentially. Full-year
 18 bookings were up 50%, ***with time from close to launch improved 100 days y/y as***
 19 ***GTM reorientation plays out. It will still take a few quarters before headwinds on***
MQ’s business begin to fade, illustrated by an incrementally 2H weighted gross
profit outlook, but we came away impressed by the momentum in the business that
is expected to drive mid-20% gross profit growth in the 2H, ranking among the
fastest across our coverage.

20 85. J.P. Morgan placed particular emphasis on Defendants’ reported improvement in
 21 launch timeframes, stating, “***As of 4Q, the time to launch closed bookings was about 100 days***
 22 ***shorter than the prior year. We’re impressed by the momentum and efficiency of the reoriented***
 23 ***GTM motion,***¹⁸ ***which we expect to start helping growth in 2H24.***”

24 **B. During March 4, 2024 Morgan Stanley Technology, Media & Telecom**
 25 **Conference, Defendants Continue To Tout Marqeta’s Accelerated Launch**
Times

26 86. On March 4, 2024, Defendants participated in a Morgan Stanley Technology, Media
 27

28 ¹⁸ GTM refers to Go-To-Market.

1 & Telecom Conference. During this conference, Defendants continued to tout Marqeta's
2 accelerated rate of launching new programs and its ability to quickly respond to and fulfill customer
3 demand.

4 87. One participant at the conference referred back to Khalaf's representation during the
5 Q4 2023 earnings call that Marqeta had improved its time to launch programs by about 100 days
6 and asked what factors led to that improvement. CEO Khalaf responded that Marqeta's delivery
7 speed was due to its build-out of a "ready-to-use construct that the banks would approve from a
8 regulatory perspective" that he called "Marqeta in the box":

9 UNIDENTIFIED PARTICIPANT: And *one of the metrics that you offered is proof*
10 *of that improvement was the time to ramp. The most recent call, you discussed the*
11 *time to ramp new deals had improved significantly up to as much as 100 days faster*
12 *than in 2022*, et cetera. What changes specifically has led to that improvement? And
how should we think about the implications for bookings of 2023 and its time to
contribute revenue share.

13 SIMON KHALAF: I mean, *what we guided in our investor day actually had that*
14 *baked in. So yes, we've done a lot of work on speeding up delivery and I'd say the*
15 *majority of that is building what I would call a ready-to-use construct that the*
banks would approve from a regulatory perspective. So we call them Marqeta in
the box.

16 Like a lot of the embedded finance use cases are embedded finance companies are
17 not fintech savvy, nor financial services experts, like they have great ideas, but the
18 regulators would not -- or the banks would not take on the use case. So with a small
tweak, we will work with the banks and the regulators to approve those use cases.

19 So I mean, the Silicon Valley loves to innovate, but sometimes they never read that
20 little -- like the nice brochure that comes with a credit card that has some fine print
21 you need to like put something to look at it. But those have important, consumers
22 care about those. So our ability to guide the embedded finance players into standard
construct that the regulators would celebrate, and the banks will take on is the number
one thing we've done.

23 The second thing is we integrated our solutions architect with our integration
24 engineering team into single threaded leadership. So they're involved early on in the
25 sales cycle. So let's not talk about beautiful constructs the regulators are going to
reject.

26 *So from the early days of the sales cycle, we're guiding our customers towards the*
27 *construct that the banks and the regulators will celebrate and that I think added a*
lot to speeding up the program launches.

88. Khalaf's statements strongly suggested that the previously reported improvement in the launching timeframes was sustainable and expected to continue since Marqeta's 2024 guidance "actually had that baked in." In other words, Marqeta's guidance was predicated on the assumption that the 100-day improvement in launching programs in Q4 2023 was not a mere blip but a sustainable operational improvement that Marqeta was relying on in its full year guidance for 2024. Khalaf also stated that Marqeta had obtained faster delivery times by using "Marqeta in the box," which was designed to "be more quickly approved by regulators" and "added a lot to speeding up the program launches." Khalaf's response was misleading because at the time of the Morgan Stanley conference, Q1 2024 was already roughly 70% complete, and the positive trend of improved launch times had actually reversed due to heightened regulatory scrutiny which was already evident to Defendants. *See* ¶¶106-10, *infra*.

C. Defendants Announce Results For Q1 2024, Maintaining Gross Profit Growth Projections For The Second Half Of 2024 And Insisting That Launch Of New Customers Was Proceeding Ahead Of Schedule

89. On May 7, 2024, Marqeta announced its financial results for Q1 2024. During an earnings call on that date, Defendants provided updated financial guidance for the full year 2024 and the second half of 2024. While Defendants made certain changes to their projections for net revenue growth, they continued to project a significant uptick in gross profit growth of 23% to 26% for the second half of the year, while emphasizing that gross profit growth was the most relevant "measure of value we deliver for our customers." CFO Milotich stated in relevant part:

Our expectations for the full year 2024 have increased for adjusted EBITDA, and gross profit remains largely unchanged while reducing net revenue growth. We now expect net revenue to contract 24% to 27%. This is a three-point to four-point reduction from what was shared previously driven by two factors, neither of which are impactful to gross profit. First, the revenue presentation impact related to the renegotiated platform partnership is approximately 2.5 points for the year. Second, we now expect the mix of our TPV to be more heavily weighted toward the Powered by Marqeta business, which materially impacts net revenue but has a much lesser impact on gross profit. This will lower the revenue growth by approximately one point.

Gross profit is now expected to grow 7% to 9%, lifting the bottom of the range from what we have shared previously. TPV year-to-date has been a little stronger, helping the first half gross profit growth, but the majority of the Q1 gross profit upside was related to incentives that are specific to Q1 because of the way our incentive contracts

are structured. ***Our expectations for the second half gross profit growth remained unchanged for now at 23% to 26%.***

These changes in our net revenue and gross profit expectations highlight why we focus on gross profit as the measure of value we deliver for our customers. Our net revenue can be noisy based on our business mix and revenue presentation.

90. During the call, an analyst asked about new bookings and whether Marqeta was observing any variance with regard to the ramping of new customers. CFO Milotich responded that Marqeta was “ahead of schedule” both as to the “launching” and “ramping” of new customers.:

DARRIN PELLER, ANALYST, WOLFE RESEARCH, LLC: Guys, nice job. Thanks. Listen, just on new bookings, you obviously have talked over bookings being more material contributor in the back half of the year for those that you've already booked.

Just curious if you could touch on how the cohorts are trending, any variance you guys are seeing with regard to those customers ramping.

And then just a quick follow-up on, I'll ask together on credit and maybe a little more on what the pipeline's looking like there and, excuse me, spent conversion there.

MICHAEL MILOTICH: Sure. So, on your first question, Darrin, thanks for the question. So far, what we're seeing is ***we're a little bit ahead of schedule.*** So we had said we expected about \$20 million in revenue coming from these new cohorts for 2024 and then that ramping to \$60 million next year. And in Q1, it's obviously early, but ***we are a little bit ahead based on a couple of customers launching a little more quickly than we expected, and one or two also ramping a little faster than we had projected.***

That being said, because of, as you can imagine, the ramp of a card program, it takes a little bit of time. So we're, I guess, encouraged by the first couple of months, but, you know, the real value will be generated, you know, say four to six, four to seven, eight months after the launch. When you really start to see what kind of momentum those programs have and what kind of volume they can generate. But ***we're off to a good start, a little bit ahead of schedule.***

91. Milotich's statements that Marqeta was “ahead of schedule” due to customers “launching a little more quickly than we expected” and “ramping a little faster than we had projected” were at the very least materially misleading, if not outright false, because during Q1 2024 the time to onboard new bookings was more than double the average onboarding time in 2023. *See* ¶¶106-10, *infra*.

92. Another analyst asked again about Marqeta's previously reported 100-day improvement in launching timeframes and how Marqeta was "faring now" with respect to this metric. Khalaf responded that Marqeta had made a "lot of progress" due to Marqeta-in-a-Box and that "from the moment we touch a customer all the way to realizing the gross profit, right, we've made *tremendous improvement north of 10%, which is material if you actually look at how this compounds.*" This statement once again misleadingly suggested that launch times were improving, not worsening.

93. On May 7, 2024, Marqeta also filed with the SEC its Form 10-Q for the Q1 2024 (the "Q1 2024 10-Q"). The Q1 2024 10-Q was signed by Defendants Khalaf and Milotich. In the Q1 2024 10-Q, Defendants stated that:

In addition to the other information set forth in this Quarterly Report on Form 10-Q, our business, financial condition, results of operations, cash flows, future prospects, and the trading price of our Class A common stock can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in Part I, Item 1A of our 2023 Annual Report under the heading "Risk Factors," *which are incorporated herein by reference*, any one or more of which could, directly or indirectly, materially and adversely affect our business, financial condition, results of operations, cash flows, future prospects, and the trading price of our Class A common stock, or cause them to vary materially from past or anticipated future results. *There have been no material changes to our risk factors since the 2023 Annual Report.*

94. This statement incorporated the risk factors relating to extended onboarding times and regulatory compliance risks set forth in Marqeta's 2023 10-K. *See* ¶¶119, 121, *infra*. At the time that Marqeta filed its Q1 2024 10-Q, the risks had already materialized as Marqeta was experiencing a trend of onboarding times doubling 2023 onboarding times for an extended period of time—the entirety of Q1 2024 and roughly 41% of Q2 2024. And these increased onboarding times and resulting launch delays were understood by Defendants to be caused by an environment of heightened regulatory scrutiny.

D. Defendants Continue To Represent Operational Improvements And Accelerated Program Delivery At J.P. Morgan Global Technology, Media and Communications Conference On May 20, 2024

95. On May 20, 2024, Defendants continued to tout the improving speed with which Marqeta deployed its programs at a J.P. Morgan Global Technology, Media and Communications

1 Conference, stating that deployment cycles were down 11% year-over-year.

2 96. An analyst asked whether, as Marqeta started to enter into larger deals, there would
3 be a trade-off of slower implementations. Khalaf reiterated his claim, articulated in prior calls, that
4 Marqeta's deployment timeframes were improving year-over-year, so Marqeta could take on larger
5 deals without comprising the deployment time:

6 TIEN-TSIN HUANG, ANALYST, J.P. MORGAN

7 You said you're going after enterprises. At Investor Day you said you were moving
8 away from the VC-backed players, which makes sense. And now you've got
9 enterprise, you have marketplace. *So could we expect larger deals in general, and
the trade-off could be slower implementations? How should we evaluate that?*

10 SIMON KHALAF

11 Yes. *We intentionally do not want to trade a large number with a slower
12 implementation cycle, right?* So the good thing on the enterprise side is we are the
program manager.

13 So if you look at some of the deals that we've closed in fintech that took some time,
14 we were not the program manager. So they had the relationship with the banks
themselves.

15 Things are slow. Banks are not the fastest moving organizations. *So us being the
16 program manager, it actually makes the programs go smoother, if not even faster.
17 So we're not trading that.*

18 *So the answer is yes, there are going to be bigger deal, but the -- and we monitor
19 this. The average and the median of the deployment cycles are coming down by
about 11% year-over-year. So while we've broadened the pipe, we haven't
20 compromised the deployment time.*

21 **E. Defendants Announce Results For Q2 2024 And Continue To Represent That
The Onboarding Of New Customers Was On Track**

22 97. On August 7, 2024, Marqeta announced its financial results for Q2 2024. During an
23 earnings call on that date, Defendants provided updated guidance for the full year 2024 and the
24 second half of 2024 that were largely consistent with the guidance they had provided the last quarter.
25 CFO Milotich stated:

26 Now let's shift to our second half and full-year outlook. As we move into Q3, we
27 begin the first chapter of a new era for Marqeta, where we aim to deliver sustainable,
28 profitable growth. We are returning to growth now that we have lapped the resetting
of the large majority of our customer contracts, and the Cash App renewal in

1 particular. We have established longer-term partnerships with our customers where
2 we can work together to drive growth with win-win outcomes.

3 In addition, we expect that the adjusted EBITDA positive going forward at an
4 increasing rate over time, renewed expense discipline, a focus on efficiency and
5 optimization, and the realization of our platform economies of scale as the business
6 flourishes has put us on a clear path to GAAP profitability in the coming years.

7 ***We expect both Q3 and Q4 net revenue growth to be between 16% to 18%, in line
8 with what we indicated last quarter. Therefore, full-year net revenue growth is
9 expected to contract 24% to 27%, again consistent with the expectations we shared
10 last quarter.***

11 ***Q3 gross profit growth is expected to grow between 25% and 27%, while Q4 is
12 expected to grow approximately three points slower than Q3. As a result, second-
13 half growth is consistent with the expectations we shared last quarter.*** Both quarters
14 are expected to benefit from non-Block gross profit growth of over 30%, which is
15 accelerating from the first half as we have now lapped heavy renewal activity as well
16 as the growing contribution from the ramping of new cohorts driven by improving
17 sales last year.

18 The gross profit growth slows a little from Q3 to Q4, mostly due to the difference in
19 year-over-year comparisons, where Q3 has a slightly easier comp due to higher bank
20 fees last year, while Q4 has a slightly tougher comp due to a strong 2023 holiday
21 season, particularly in BNPL, as well as lapping a platform partner bonus.

22 We expect the gross profit margin to be in the low 70s in both Q3 and Q4, as network
23 incentive levels increased from Q2. Therefore, ***we expect full-year gross profit
24 growth to be 7% to 9%, consistent with expectations we shared last quarter.***

25 98. During the call, an analyst asked the balance between growth from new customers
26 and growth from existing customers. In responding, Khalaf stated that Marqeta was “on track” with
27 its guidance for revenue from new customers, which according to Khalaf, “speaks volumes to how
28 fast we can onboard new customers and get them ramped up”:

29 RAMSEY EL-ASSAL, ANALYST, BARCLAYS

30 I also wanted to ask, with the renewals behind you, you know, how should we think
31 about the growth algorithm’s balance between new customer versus existing
32 customer growth? I think you guys have highlighted a lot of new opportunity on this
33 call. I’m just kind of curious in your mind, which is shaping up to be the more
34 powerful driver sort of today, and in your projections between sort of you know,
35 harvesting growth from the clients you have today versus you know, new customers
36 that you think may drive you know, kind of an incremental share of growth as we
37 move forward?

1 SIMON KHALAF

2 . . . Ramsey, it is kind of yes and yes. *So we are excited that the new cohorts are on*
 3 *track to generate \$20 million in revenue, which is what we've guided. So we're on*
 4 *track with that. And again, speaks volumes to how fast we can onboard new*
 5 *customers and get them ramped up.* So that's a growth vector. Our customers also
 are growing, some of them geographically, others, they're launching multiple
 programs. So that also factors into our growth calculations.

6 99. Khalaf's claim that onboarding was "on track" once again suggested that Marqeta
 7 had been able to sustain its improved launch times and that Marqeta was poised to achieve the
 8 projected growth for the second half of 2024 that Defendants had previously guided, which was
 9 misleading since by this point in Q3 delays in launching new programs were already resulting in
 10 lower gross profit contributions. *See ¶¶106-10, supra.*

11 100. During the same call, an analyst asked about a recent hack with Evolve, one of
 12 Marqeta's partner banks, whether that event impacted some of the other partner banks in the
 13 ecosystem, and, more generally, whether the start of new programs might be impacted by increased
 14 regulatory scrutiny. Khalaf responded that Marqeta did not see any impact from the Evolve hack
 15 and, more broadly, Defendants did not expect any medium-term or long-term challenges relating to
 16 regulatory scrutiny:

17 WILL NANCE, ANALYST, GOLDMAN SACHS

18 Hey, guys, appreciate you taking the question. I wanted to ask about some of the
 19 cybersecurity events that happened recently with the Evolve hack and just wondering
 20 if you could talk about maybe some of the ramifications for the broader ecosystem.
 21 And I guess A, how that's impacting some of the partner banks in the ecosystem.
 And then B, *if there's any impact on pipelines or kind of new program upstarts that*
you know, may be impacted by increased regulatory scrutiny.

22 SIMON KHALAF

23 Hey, Will, Simon here, thank you for the question. *The short answer is no.* The little
 24 bit long answer is there's the CrowdStrike event that did not impact us, our
 25 predominant Mac shop. I mean, we are a customer of CrowdStrike, but thanks to the
 26 great effort by our security team, we were not impacted. Neither were our customers
 27 impacted in any major way. So that's good. *In terms of the other security and*
regulatory scrutiny, I don't expect it to create medium-term or long-term
challenges on the contrary, I would say they are going to create a lot of tailwinds
 28 *for Marqeta, because of the flight to quality syndrome. We have demonstrated our*
ability to scale and -- in a compliant manner. In terms of like Evolve, specifically,
 our business on Evolve is not big, but Evolve is a great partner of ours.

1 But most of the issues, I'd say, do not involve Marqeta. And some of the challenges
 2 that we've actually read in the press, we don't have intimate knowledge, are
 3 something that will not impact Marqeta, because we've invested heavily in those. I'd
 4 say in the chrome around our solution, whether it's settlement or reconciliation, this
 is something that we've done beautifully as we've scaled. ***So I would say that we're
 looking good and this is actually working in favor of Marqeta.***

5 101. Khalaf's statements were misleading, because, *inter alia*, heightened regulatory
 6 scrutiny had led to a significant increase in onboarding times and a backlog of unlaunched new
 7 programs, which had a material impact on Marqeta's pipeline. *See* ¶¶106-10, *infra*. These problems
 8 were compounded by the departure of senior members of Marqeta's regulatory compliance team in
 9 March and April of 2024. *See* ¶174, *infra*. While Marqeta had hired replacements, these individuals
 10 had only a few months to get up to speed and were arriving at Marqeta at a time when it was already
 11 facing huge launch delays and a significant backlog. Thus, Khalaf's description of Marqeta's
 12 demonstrated "ability to scale and – in a compliant manner" was materially misleading.

13 102. During the call, another analyst asked about pipeline conversion, how Defendants'
 14 key assumptions were trending, and how that influenced Marqeta's visibility for gross profit growth.
 15 Khalaf responded that "onboarding is on track" and that "big picture-wise, we're largely on track
 16 and things are as planned."

17 103. On August 7, 2024, Marqeta also filed with the SEC its Form 10-Q for the Q2 2024
 18 (the "Q2 2024 10-Q"). The Q2 2024 10-Q was signed by Defendants Khalaf and Milotich. In the
 19 Q2 2024 10-Q, Defendants stated that:

20 In addition to the other information set forth in this Quarterly Report on Form 10-Q,
 21 our business, financial condition, results of operations, cash flows, future prospects,
 22 and the trading price of our Class A common stock can be affected by a number of
 23 factors, whether currently known or unknown, including but not limited to those
 24 described in Part I, Item 1A of our 2023 Annual Report under the heading "Risk
 25 Factors," ***which are incorporated herein by reference***, any one or more of which
 26 could, directly or indirectly, materially and adversely affect our business, financial
 condition, results of operations, cash flows, future prospects, and the trading price of
 our Class A common stock, or cause them to vary materially from past or anticipated
 future results. ***There have been no material changes to our risk factors since the
 2023 Annual Report.***

27 104. This statement incorporated the risk factors relating to increased onboarding times
 28 and regulatory compliance risks set forth in Marqeta's 2023 10-K. *See* ¶¶119, 121, *infra*. At the

1 time that Marqeta filed its Q2 2024 10-Q, these risks had materialized as Marqeta had already
 2 experienced a trend of onboarding times doubling 2023 onboarding times due to heightened
 3 regulatory scrutiny for two full quarters.

4 **F. The Truth Emerges**

5 105. On November 4, 2024, after market hours, Marqeta issued a press release reporting
 6 the Company's Q3 2024 financial results and revising downward its Q4 2024 guidance.
 7 Specifically, Marqeta reduced its guidance for Q4 2024 net revenue growth from 16%-18% to 10%-
 8 12%, and it reduced its guidance for gross profit growth from 22%-24% to 13%-15%. The press
 9 release stated, "Our fourth quarter guidance reflects several changes that became apparent over the
 10 last few months with regards to the heightened scrutiny of the banking environment and specific
 11 customer program changes."

12 106. During the same-day earnings call, Defendant Khalaf attributed the weaker guidance
 13 to a change in the regulatory environment that occurred "last year" (*i.e.*, 2023), which "increased
 14 [the] operational burden . . . on both Marqeta's and the bank's onboarding and compliance teams"
 15 and "translated into delays in launching new programs":

16 With all this great progress, why is our guidance for Q4 softer than expected? *Well,*
 17 *last year, the regulatory environment changed amongst the smaller banks that*
 18 *supports many of our customers' programs.* As a company, we anticipated this
 19 change and invested in program management in general and compliance services in
 20 particular. We believe that these investments have positioned us well in the medium
 21 and long term and increase the moat around our platform, especially in embedded
 22 finance. However, *we underestimated the increased operational burden these*
changes made on both Marqeta's and the bank's onboarding and compliance
teams. The incremental scrutiny and rigor translated into delays in launching new
programs. These delays have also been aggravated by the increased demand from
 new bookings in 2023 and the first half of 2024.

23 107. Contrary to Defendants' prior statements touting the time to ramp and launch new
 24 programs, Khalaf indicated that "new environment" caused Marqeta's launch time to increase "30%
 25 to 40% from 2023." Khalaf said Marqeta was "signing up new banks to add capacity and open up
 26 new choices for our customers" and that these headwinds were "short term":

27 *On average, the time to launch new programs grew 30% to 40% from 2023, and*
 28 *we expect that increase to remain for at least 2 additional quarters, as we and our*
bank partners become more agile in launching programs in this new environment.

1 Given the standard ramp time for programs in our industry, these delays will cause
2 volume and gross profit to be pushed out a few months.

3 Now with a more complete understanding of the implications, we're taking a more
4 holistic approach to ramping the programs we have already signed. ***We are also***
5 ***signing up new banks to add capacity and open up new choices for our customers***
6 ***while making our processes standardized across all banks we support.*** We are
7 confident these changes will give us the agility we need. However, it will take a few
8 months to completely solve the problem and drain the backlog that has been built up.
9 ***We view the headwinds from the more challenging bank environment as short***
10 ***term. Merely slowing down our progress rather than a change in the trajectory of***
11 ***our business, nor impacting our path to profitability.*** In fact, we remain confident
12 in our strategy, business trajectory, and execution.

13 108. On that same earnings call, Defendant Milotich stated that the delays in launching
14 new programs contributed in part to Q3 2024 gross profit growth being “2 points lower than
15 expected.” Despite having previously touted the Company’s compliance and having assured that it
16 new bookings were “on track,” Defendant Milotich admitted that while Marqeta “anticipated
17 challenges as a result of the increased scrutiny,” it “significantly underestimated the impact of
18 constrained resources and evolving processes”:

19 Gross profit growth was approximately 2 points lower than expected as a result of
20 lower contribution from new programs in the quarter. There are two reasons for this.
21 First, ***15 programs we expected to launch in the quarter were delayed by an average***
22 ***of 70 days. We were less efficient in working with our bank partners to launch new***
23 ***programs, which we attribute to the increased regulatory scrutiny over the last few***
24 ***quarters on the banking industry,*** particularly the smaller banks supporting fintech
25 and embedded finance. ***Although we anticipated challenges as a result of the***
26 ***increased scrutiny, we significantly underestimated the impact of constrained***
27 ***resources and evolving processes.***

28 109. Defendant Milotich admitted that the Company was “very aware of the scrutiny” but
was “***not quick enough with solutions and new processes for our bank partners***” and that “this
environment also delays our customers’ launch plans.” Milotich stated that the Company had been
“investing significantly more in our compliance efforts since the start of this year” yet only realized
“in the past 2 to 3 months” that the Company “greatly underestimated the magnitude and time
horizon for all parties to adapt to the new standards”:

Now let me walk through our latest outlook for Q4. We expect Q4 net revenue
growth to be between 10% and 12% and Q4 gross profit growth to be between 13%
and 15%, a 6- and 9-point reduction, respectively, compared to what we shared in
early August. The change in our expectations is primarily driven by 2 factors, both

1 of which stem to some degree from the heightened regulatory environment from our
2 bank partners.

3 First, we now expect significantly fewer new programs will launch and ramp up in
4 the second half of the year, lowering gross profit growth by approximately 6 points.
5 *We were not quick enough with solutions and new processes for our bank partners,*
6 *and they are more focused on maintaining current programs in the heightened*
7 *regulatory environment than launching new programs. In some cases, this*
8 *environment also delays our customers' launch plans.*

9 Now that we have a backlog of programs to launch, it will take time to work through
10 it. Delays of a few months pushes launches into Q4 and the first half of 2025. Because
11 of the ramp trajectory of TPV in the first year of a program, a few months delay
12 meaningfully impacts Q4. The impact is larger on gross profit than revenue since
13 newer programs with subscale volume tend to have high gross margins until our
14 customers work through the initial volume tiers in our contracts. *Why does this*
15 *change in assumptions seem so sudden? We have been very aware of the scrutiny*
16 *and working through it with our bank partners, investing significantly more in our*
17 *compliance efforts since the start of this year to raise our program management*
18 *standards ahead of the rising tide.*

19 *However, in the past 2 to 3 months, it has become clear we greatly underestimated*
20 *the magnitude and time horizon for all parties to adapt to the new standards.* We
21 are actively executing the solution for this challenge, working closely with existing
22 bank partners to optimize our processes to improve the efficiency of program
23 approval and onboarding. In addition, we plan to onboard at least two additional bank
24 partners to increase our bank supply to meet our growing demand.

25 *The second factor is a few highly sophisticated long-term fintech customers are*
26 *moving quickly to take ownership of more of the program components in this*
27 *heightened environment, lowering gross profit growth by 2 to 3 points.* We have
28 two customers quickly shifting their resources to take on more program management
responsibilities, one customer bringing more risk services in-house and three
customers connecting their platforms directly to their end-users to reduce their
reliance on card usage. All of these actions reduce our volume or our take rate. We
do not believe these types of customer actions will become broad-based because very
few want to prioritize this type of work or have the scale and sophistication to execute
in a way that is accretive to their business. Outside of these two factors, the business
is mostly on the trajectory we expected several months ago.

110. Contrary to Defendants' earlier statements that Marqeta's new bookings were "on
track," Defendant Milotich explained that in the first few months of 2024 "more than 10 consent
orders affecting banks in [Marqeta's] space" resulted in the onboarding and delivery time more than
doubling from 150 days in 2023 to >300 days in Q1 and Q2 2024, and that it remained over 200
days in Q3 2024:

1 Ramsey El-Assal: Hi. Thank you for taking my question this evening. Can you
 2 comment on your visibility at this point, given everything that's going on in terms of
 3 these regulatory-driven sort of changes is -- are you confident that you're seeing sort
 4 of a bottoming out of the -- of the sort of pain here or could we get to next quarter
 5 and see that things have deteriorated further. And I'm also just wondering whether
 6 there's a risk that some bookings may get terminated if the implementation timeline
 7 stretches out for too long.

8 * * *

9 Milotich: Yes, just maybe I'll just give some color on just the specifics on some of
 10 the delays, Ramsey. ***So if you look at the first few months of 2024, the regulatory
 11 scrutiny had clearly ratcheted up with more than 10 consent orders affecting the
 12 banks in our space. And so what we saw was an initial spike in the time to launch
 13 that was more than 2x the average in 2023. So 2023 onboarding and delivery was
 14 typically around 150 days roughly. And in Q1, Q2, that rose to over 300 days.*** This
 15 was expected given the sort of initial changes and sort of shock of all the changes
 16 that were happening. But at the start of Q3, we expected things to get back to where
 17 we had been in 2023. But the new programs on average took about 30% to 40%
 18 longer to launch. And so the ***time still remained over 200 days when it had
 19 previously been about 150 days.***

20 111. Thus, Marqeta was not facing a situation in which its performance with respect to
 21 launch times was strong during the first part of the Class Period, but then took an unexpected turn
 22 for the worse. Instead, Marqeta's performance with respect to launch times was ***terrible*** during the
 23 first two quarters of 2024 (>300 days) and improved in Q3 2024 (~200-210 days),¹⁹ but did not
 24 improve enough to overcome the terrible performance during the first half of the year. And what
 25 was misleading about Defendants' statements was not their failure to accurately predict what would
 26 happen in Q3; it was their gross mischaracterization of what was already happening during Q1 and
 27 Q2 when Defendants were representing that launch times were improving when in fact they were
 28 actually becoming much worse.

112. Investors were shocked by these revelations. On this news, Marqeta's stock price
 dropped from a close of \$5.95 per share on November 4, 2024 to a close of \$3.42 per share on
 November 5, 2024, a decline of roughly 42.5%, wiping out more than \$1.3 billion in market

¹⁹ The average launch time in 2023 was 150 days, and a 30%-40% increase would be 195 days to 210 days. Because Milotich stated that the Q3 2024 launch time was "over 200 days," it is reasonable to estimate that the average launch time in Q3 2024 was about 200 days to 210 days.

1 capitalization.

2 113. Several analysts downgraded the Company's stock and/or lowered their price targets
3 in response to Marqeta's disclosures. For example, J.P. Morgan released a statement regarding
4 Marqeta's recent issues, stating, in pertinent part:

5 As the BIN sponsorship environment came under regulatory pressure earlier this
6 year, *onboarding timelines became heavily extended* (from ~150 days in 2023 to
7 >300 in 1H24), which management previously expected to improve in 3Q. For
8 context, *this dynamic was generally undiscussed by management until now, with*
9 *MQ as recently as last quarter articulating that new business onboarding was*
10 *proceeding generally on track*. Ultimately, this expected bottleneck relief didn't
11 happen, and in 3Q onboarding times were still 30-40% higher than last year, resulting
12 in a delay in bookings conversion and lower NTM growth.

13 114. Wells Fargo issued an analyst report on November 4, 2024 titled "Initial 3Q
14 Thoughts – Blindsided By The Guide" which stated, "mgmt guided 4Q net rev growth 6% below
15 on heightened scrutiny on the banking environment and specific customer program changes. We see
16 today's developments as a meaningful set back to investor confidence." In a follow-up report issued
17 the next day, Wells Fargo stated, "[w]hile management attempted to reassure investors that the
18 challenges had 'bottomed' & revenues would return once delays were alleviated, we think this
19 message will fall on deaf ears for the foreseeable future."

20 VI. MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS 21 MADE DURING THE CLASS PERIOD

22 A. Fourth Quarter and Full Year Results for 2023

23 115. The Class Period starts on February 28, 2024. On that day, Marqeta announced its
24 financial results for Q4 2023 and FY 2023, and Defendants held an earnings call to discuss those
25 results. During that call, Defendant Khalaf stated that Marqeta had "made great strides in
26 accelerating the time to launch new programs" and that during Q4 2023, the average time between
27 the close and launch of new programs decreased by roughly 100 days year-over-year:

28 In addition to growing our bookings, *we also made great strides in accelerating the*
time to launch for new programs signed to convert these bookings into revenue
and gross profits faster. On average, the time between close and launch in Q4 of
this year was about 100 days better than the previous year. This was achieved
without adding significant resources by focusing on solutions architecture and using
preconfigured card constructs.

116. The statements in ¶115 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because:

- (a) Khalaf failed to disclose that during Q1 2024, which was already approximately 66% complete at the time of Khalaf's statement, the positive trend of improving launch times had reversed itself. As Defendants later disclosed, Marqeta's average time for the onboarding and delivery of new programs was roughly 150 days in 2023, but that time more than doubled to >300 days during Q1 and Q2 2024 due to heightened regulatory scrutiny. *See* ¶110, *supra*. Thus, Khalaf's description of the positive trend in Q4 2023 as Marqeta having "made great strides in accelerating the time to launch new programs" presented a misleading impression of the state of affairs that actually existed at the time of his statement;
- (b) At the time of Khalaf's statement, Defendants were aware that both (1) the increased onboarding times during Q1 2024 were driven, in substantial part, by heightened regulatory scrutiny and (2) Marqeta lacked sufficient personnel and resources in its regulatory compliance department, which materially increased the likelihood of further worsening onboarding times, *see* ¶¶61-62, 108-10, *supra*; ¶¶144-48, 169, 172-73, *infra*;
- (c) During Q3 2023, an external audit found a significant security flaw that resulted in a disclosure in Marqeta's 2023 10-K of a material weakness related to information technology general controls. *See* ¶¶67-72, *supra*; ¶¶179-80, *infra*. While Marqeta disclosed the existence of this material weakness, Defendants did not disclose that their efforts to remediate this material weakness involved a substantial shift in resources, which further heightened the risk of worsening onboarding times. *Id.*; and
- (d) In light of the foregoing, Khalaf's representation of improved launch times was materially misleading both because (1) Marqeta was already experiencing significantly longer launch times than those that he represented and (2) conditions existed that materially increased the likelihood of even longer onboarding times and further worsening launch delays.

1 117. During the February 28, 2024 earnings call, an analyst asked about the regulatory
 2 environment and how that might affect Marqeta's outlook. CEO Khalaf responded by stating that
 3 Marqeta had invested significant resources in regulatory compliance and that Defendants felt
 4 comfortable with the regulatory environment. CFO Milotich added that, despite "some disruption
 5 in the marketplace" relating to regulatory scrutiny, Marqeta's investments in regulatory compliance
 6 provided it with a competitive advantage as customers made a "flight to quality" in selecting a
 7 platform for their card programs:

8 CHRIS KENNEDY, ANALYST, WILLIAM BLAIR:

9 Can you provide an update on the regulatory environment for banking as a service
 10 and embedded finance and kind of how you view that operating environment? . . .

11 SIMON KHALAF:

12 Thanks, Chris. *I would say there's no changes. There's not much that we can talk*
 13 *about, either positive or negative. I'd say that the environment is, remains healthy.*
 14 I mean, the great news about a lot of what's going on in embedded finance is
 15 solutions that are catering to the unbanked and the underbanked.

16 There's no question that Buy Now, Pay Later has opened the credit box and provided
 17 what is effectively lending without the 29% APR. So that's definitely helping the
 18 community. And same thing with SMBs, they're kind of like the forgotten entity. So
 19 I do – there's a lot of goodness that is happening with these solutions. So I do – *we're*
 20 *comfortable with the regulatory environment.* The second thing I'd say is, *as a*
 21 *company, we have invested in program management and we've invested in*
 22 *compliance. We've invested in a lot of these services, because, number one, we take*
 23 *it very seriously.*

24 And the second thing is that when we target the brands, especially in embedded
 25 finance, the last thing we want is bring them regulatory trouble. So *I think we've*
 26 *taken this very seriously as a platform.*

27 MIKE MILOTICH:

28 And I think, as you maybe referred to, Chris, I mean, some of the announcements out
 there about BaaS platforms and some of the banks to do business with, the more of
 those announcements, you know *there's definitely a component of a flight to quality*
which we think we are the beneficiaries of, just given our scale and the level of
investment, and we were one of the first movers in this space. So we think that
although you know, it's unfortunate, you know that there's some disruption in the
marketplace like that, I think, you know generally speaking, we're definitely more
of a beneficiary than something that hurts us.

118. The statements in ¶117 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because:

- (a) At the time of these statements, Marqeta’s regulatory compliance department was severely understaffed, and Defendants internally acknowledged this understaffing by approving the hiring of 10 or 11 additional employees for the regulatory compliance department in December 2023. However, at the time of these statements, the vast majority of these new positions were not filled. *See* ¶¶61-62, *supra*; ¶¶169, 172-73, *infra*;
- (b) In light of the foregoing facts, Khalaf’s statements that “[w]e’ve invested a lot in these [compliance] services” and that “we take [regulatory compliance] very seriously” were materially misleading, because Marqeta had not invested sufficient resources in regulatory compliance; and
- (c) In light of the foregoing facts, Milotich’s statements that Marqeta was the beneficiary of “a flight to quality” given Marqeta’s “scale and the level of investment” were materially misleading, because Marqeta had not invested sufficient resources into regulatory compliance.

119. On February 28, 2024, Marqeta filed its 2023 10-K with the SEC. The 2023 10-K was signed by both Khalaf and Milotich. In the “Risk Factors” section of the 2023 10-K, Defendants made the following risk disclosure concerning onboarding times (the “Onboarding Risk Factor”):

Future net revenue growth depends on our ability to attract new customers and retain existing customers in a cost-effective manner.

If we are unable to attract new customers, retain existing customers on favorable terms, and grow and develop those relationships to drive increased processing volumes, our business, results of operations, financial condition, and future prospects would be adversely affected.

If we fail to attract new customers, including customers in new use cases, industry verticals, and geographies, and to expand our platform in a way that serves the needs of these customers, ***and to onboard them quickly, then we may not be able to continue to grow our net revenue.***

Our customers generally are not subject to any minimum volume commitments under their contracts and have no obligation to continue using our platform, products, or

1 services. Accordingly, these customers may have, or may enter into in the future,
2 similar agreements with our competitors, which could adversely affect our ability to
3 drive the processing volume and revenue growth that we seek to achieve. Some of
4 our customer contracts provide for a termination clause that allows our customers to
5 terminate their contract at any time following a limited notice period.

6 The loss of customers or reductions in their processing volumes, particularly any loss
7 of or reductions by Block, may adversely affect our business, results of operations,
8 and financial condition. To achieve continued growth, we must not only maintain our
9 relationships with our existing customers, but also encourage them to renew their
10 contracts with us and to increase adoption and usage of our products. For example,
11 customers can have multiple card programs on our platform across different use cases
12 and geographies. However, we cannot assure you that customers will continue to use
13 our platform or that we will be able to continue processing transactions on our
14 platform at the same rate as we have in the past.

15 120. The statements in ¶119 were materially false and/or misleading when made and/or
16 omitted to state material facts necessary to make the statements not misleading, because:

- 17 (a) At the time of the filing of the 2023 10-K, Marqeta already had failed to onboard
18 new customers quickly. As Defendants later disclosed, Marqeta's average time for
19 the onboarding and delivery of new programs was roughly 150 days in 2023, but that
20 time more than doubled to >300 days during Q1 and Q2 2024 due to heightened
21 regulatory scrutiny. *See* ¶110, *supra*. At the time of the filing of the 2023 10-K, Q1
22 2024 was already approximately 66% complete, so Marqeta had already experienced
23 significant increases in onboarding times;
- 24 (b) Those increased onboarding times and resulting launch delays materially threatened
25 Marqeta's ability to grow net revenue and, more specifically, threatened Marqeta's
26 ability to ramp up new bookings quickly enough to satisfy the net revenue and gross
27 profit growth projections Defendants provided to investors; and
- 28 (c) The Onboarding Risk Factor presented the risk of a failure to onboard new customers
quickly as a mere contingent, hypothetical event, but this risk had already
materialized in substantial part, because the average time to onboard new customers
had increased to a very high level.

121. In the “Risk Factors” section of the 2023 10-K, Defendants made the following risk disclosure concerning potential regulatory compliance issues (the “Regulatory Compliance Risk Factor”):

Our business is subject to extensive regulation and oversight in a variety of areas, directly and indirectly through our relationships with Issuing Banks and Card Networks, which regulations are subject to change and to uncertain interpretation. Compliance with such laws and regulations could result in additional costs and any failure to comply could materially harm our business and financial condition.

We, our vendors, our partners, and our customers are subject to a wide variety of laws, regulations, and industry standards, including supervision and examination with respect to the foregoing by multiple authorities and governing bodies and in multiple countries, which govern numerous areas important to our business. While we currently operate our business in an effort to ensure our business itself is not subject to the same level of regulation as the Issuing Banks and Card Networks that we partner with, Issuing Banks and Card Networks operate in a highly regulated environment, and ***there is a risk that those regulations could become applicable to or impact us.***

As a program manager, we are responsible for aligning compliance with Issuing Bank requirements and Card Network rules, and we help create regulatory compliant card programs for our customers. In some cases, we have in the past and could continue to be exposed to liability or indemnification claims from our customers or partners in connection with the services we provide.

We are directly, and indirectly through our contractual relationships with customers, Issuing Banks, and Card Networks, subject to regulation in areas which may include privacy, data protection and information security, global sanctions regimes and export controls, and anti-bribery, and those relating to payments services (such as payment processing and settlement services), AI, consumer protection, AML, escheatment, and compliance with PCI DSS.

As our business and platform continue to develop and expand, we may become subject to additional laws, rules, regulations, and industry standards, including possible additional examination and supervision, in the United States and internationally. ***New or changing laws or regulations could require us to incur significant expenses and devote significant management attention to ensure compliance and could also prompt our Issuing Banks to alter their dealings with us in ways that may have adverse consequences for our business.***

We may not be able to respond quickly or effectively to, or accurately predict the scope or applicability of, regulatory, legislative, or other developments, which may in turn impair our ability to offer our existing or planned features, products, and services and/or increase our cost of doing business. In addition, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, or criminal or civil sanctions, all of which may have an adverse effect on our reputation, business, results of operations, and financial condition.

As a result of our business relationships, we may also be subject to direct or indirect supervision and examination by various authorities. The CFPB, for example, has indicated it has dormant authority to examine certain companies whose services may pose risk to consumers, which may include our company. The CFPB has also published guidance on third party risk management, which places additional vendor compliance oversight expectations for certain companies operating in the financial services industry. As a program manager, we may be viewed as overseeing third party relationships on behalf of our Issuing Banks and, as such, it is possible that regulators could hold us responsible for actual or perceived deficiencies in our oversight and control of third party relationships. New or expanded regulation or ***changes in interpretation or enforcement of existing regulations may have an adverse effect on our business, results of operations, and financial condition due to increased compliance costs and new restrictions affecting the offering of our platform, products and services.***

122. The statements in ¶121 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because:

- (a) At the time of the filing of the 2023 10-K, the environment of heightened regulatory scrutiny had already adversely affected Marqeta's business by causing substantial increases in onboarding times. *See* ¶¶106-10, *supra*;
- (b) Those increased onboarding times and resulting launch delays materially threatened Marqeta's ability to grow net revenue and, more specifically, threatened Marqeta's ability to ramp up new bookings quickly enough to satisfy the net revenue and gross profit growth projections Defendants had provided to investors; and
- (c) The Regulatory Compliance Risk Factor presented the various risks described as mere contingent, hypothetical events, but these risks had already materialized in substantial part, because applicable regulations already (1) "impact[ed]" Marqeta by increasing onboarding times resulting in launch delays, (2) caused Marqeta to "devote significant management attention to ensure compliance" and (3) caused Marqeta's "Issuing Banks to alter their dealings with [Marqeta] in ways that may have adverse consequences" by delaying the launch of new programs. In addition, (4) Marqeta was not able to "quickly" and "effectively" respond to new "regulatory . . . developments"—*i.e.*, the increased regulatory scrutiny of the FDIC—which had "impair[ed]" Marqeta's "ability to offer . . . existing or planned features, products

and services” and increased Marqeta’s “cost of doing business.” Finally, (5) “changes in . . . enforcement of existing regulations” had “an adverse effect” on Marqeta’s “business, results of operations, and financial condition” by increasing onboarding times and delaying the launch of new programs. Accordingly, many of the specific risks that Marqeta had warned about in hypothetical and contingent terms had already come to pass, in material ways that adversely impacted Marqeta’s business.

B. March 4, 2024 Morgan Stanley Technology, Media & Telecom Conference

123. On March 4, 2024, Defendants participated in a Morgan Stanley Technology, Media & Telecom Conference. During this conference, one participant referred to Khalaf’s prior representation made during the Q4 2023 earnings call that Marqeta had improved its time to launch programs by about 100 days and asked what factors led to that improvement. Khalaf responded that Marqeta’s delivery speed was due to its build-out of a “ready-to-use construct that the banks would approve from a regulatory perspective” that he called “Marqeta in the box”:

UNIDENTIFIED PARTICIPANT: And one of the metrics that you offered is proof of that improvement was the time to ramp. The most recent call, you discussed the time to ramp new deals had improved significantly up to as much as 100 days faster than in 2022, et cetera. What changes specifically has led to that improvement? And how should we think about the implications for bookings of 2023 and its time to contribute revenue share.

SIMON KHALAF: I mean, *what we guided in our investor day actually had that baked in. So yes, we’ve done a lot of work on speeding up delivery and I’d say the majority of that is building what I would call a ready-to-use construct that the banks would approve from a regulatory perspective. So we call them Marqeta in the box.*

Like a lot of the embedded finance use cases are embedded finance companies are not fintech savvy, nor financial services experts, like they have great ideas, but the regulators would not -- or the banks would not take on the use case. So with a small tweak, we will work with the banks and the regulators to approve those use cases.

So I mean, the Silicon Valley loves to innovate, but sometimes they never read that little -- like the nice brochure that comes with a credit card that has some fine print you need to like put something to look at it. But those have important, consumers care about those. So our ability to guide the embedded finance players into standard construct that the regulators would celebrate, and the banks will take on is the number one thing we’ve done.

1 The second thing is we integrated our solutions architect with our integration
2 engineering team into single threaded leadership. So they're involved early on in the
3 sales cycle. So let's not talk about beautiful constructs the regulators are going to
4 reject.

5 ***So from the early days of the sales cycle, we're guiding our customers towards the***
6 ***construct that the banks and the regulators will celebrate and that I think added a***
7 ***lot to speeding up the program launches.*** What we're doing this year in order to
8 improve on this is sharing the best practices.

9 So how do you launch a program? How do you market a new program, what are the
10 best practices? What disclosures do you have to put? How do you incentivize
11 adoption? Like, for example, a rewards management, you're changing consumer
12 behavior like we love rewards. I mean, American consumers love offers.

13 * * *

14 So we believe that those guidelines and best practices will not change the launch
15 time, but they will improve on the ramp time.

16 124. The statements in ¶123 were materially false and/or misleading when made and/or
17 omitted to state material facts necessary to make the statements not misleading, because:

- 18 (a) Khalaf failed to disclose that the 100-day improvement that Marqeta had reported for
19 Q4 2023 had already degraded by the time of his statement and that the trend of
20 improved launch times had actually reversed. As Defendants later disclosed,
21 Marqeta's average time for the onboarding and delivery of new programs was
22 roughly 150 days in 2023, but that time more than doubled to >300 days during Q1
23 and Q2 2024 due to heightened regulatory scrutiny. *See* ¶110, *supra*. At the time of
24 the Morgan Stanley conference, Q1 2024 was already roughly 70% complete, so the
25 reversal of the positive trend of improved launch times was already evident to
26 Defendants;
- 27 (b) Khalaf's statements strongly suggested that the previously reported improvement in
28 the launch times was sustainable and expected to continue. Khalaf stated that
Marqeta's 2024 guidance "actually had that baked in." In other words, Marqeta's
guidance was predicated on the assumption that the 100-day improvement in
launching programs in Q4 2023 was not a mere blip but a sustainable operational
improvement that Marqeta was relying on in its full year guidance for 2024. In that

context, it was misleading for Khalaf to continue to tout the 100-day metric as evidence of Marqeta's operational improvements without acknowledging that the new trend through 70% of Q1 2024 was completely at odds with the previously reported figure; and

- (c) Khalaf's description of the reasons for the "speed[ed] up delivery" also suggested that the improved timeframes were replicable and sustainable. Khalaf stated that Marqeta had obtained faster delivery times by using Marqeta's "ready-to-use construct" that he called "Marqeta in the box." Khalaf explained that Marqeta's experience in working with regulators allowed it to guide its customer to design programs that would be more quickly approved by regulators and that this expertise "added a lot to speeding up the program launches." However, as Defendants later admitted, Marqeta was already experiencing significant increases in onboarding times which resulted in launch delays due to heightened regulatory scrutiny. Thus, Khalaf's description of "Marqeta in the box" as a reliable way of speeding up delivery ignored the tangible delays that Marqeta was experiencing in launching new programs and provided a misleading impression of Marqeta's ability to onboard new customers quickly.

C. Q1 2024 Financial Results

125. On May 7, 2024, Marqeta announced its financial results for Q1 2024 and held an earnings call to discuss those results. During the call, an analyst asked about new bookings and whether Marqeta was observing any variance with regard to the ramping of new customers. Milotich responded that Marqeta was "ahead of schedule" both as to the "launching" and "ramping" of new customers:

DARRIN PELLER, ANALYST, WOLFE RESEARCH, LLC: Guys, nice job. Thanks. Listen, just on new bookings, you obviously have talked over bookings being more material contributor in the back half of the year for those that you've already booked.

Just curious if you could touch on how the cohorts are trending, any variance you guys are seeing with regard to those customers ramping.

1 And then just a quick follow-up on, I'll ask together on credit and maybe a little more
2 on what the pipeline's looking like there and, excuse me, spent conversion there.

3 MICHAEL MILOTICH: Sure. So, on your first question, Darrin, thanks for the
4 question. So far, what we're seeing is *we're a little bit ahead of schedule*. So we had
5 said we expected about \$20 million in revenue coming from these new cohorts for
6 2024 and then that ramping to \$60 million next year. And in Q1, it's obviously early,
7 but *we are a little bit ahead based on a couple of customers launching a little more
8 quickly than we expected, and one or two also ramping a little faster than we had
9 projected*.

10 That being said, because of, as you can imagine, the ramp of a card program, it takes
11 a little bit of time. So we're, I guess, encouraged by the first couple of months, but,
12 you know, the real value will be generated, you know, say four to six, four to seven,
13 eight months after the launch. When you really start to see what kind of momentum
14 those programs have and what kind of volume they can generate. But *we're off to a
15 good start, a little bit ahead of schedule*.

16 126. The statements in ¶125 were materially false and/or misleading when made and/or
17 omitted to state material facts necessary to make the statements not misleading, because:

- 18 (a) At the time of the Q1 2024 earnings call, Marqeta was experiencing severe increases
19 in onboarding times for new bookings. As Defendants later disclosed, Marqeta's
20 average time for the onboarding and delivery of new programs was roughly 150 days
21 in 2023, but that time more than doubled to >300 days during Q1 and Q2 2024 due
22 to heightened regulatory scrutiny. *See* ¶110, *supra*;
- 23 (b) In light of the foregoing, it was materially misleading for Milotich to say that Marqeta
24 was "a little bit ahead of schedule" based on "a couple of customers launching a little
25 more quickly than we expected, and one or two also ramping a little faster than we
26 had projected." Even if a limited number of customers were launching and ramping
27 more quickly than expected, the average time to onboard and deliver new programs
28 was more than double what it had been in 2023;
- (c) Milotich failed to disclose certain idiosyncratic and unusual assumptions underlying
his "ahead of schedule" statements. As Defendants later explained, Defendants
purportedly believed that notwithstanding the severe increases in onboarding times
and resulting launch delays during the first two quarters of 2024, Marqeta would be
able to reverse these trends and substantially improve onboarding times during the

second half of 2024. *See* ¶110, *supra*; ¶¶144-48, *infra*. Even if Defendants genuinely believed they could rapidly accelerate onboarding during the second half of 2024, it was materially misleading to describe the launching and ramping of new business as “ahead of schedule” when in order to meet that schedule, onboarding times would need to dramatically decrease compared to the those experienced during the first half of 2024; and

(d) Milotich failed to disclose that during March and April 2024, three members of Marqeta’s regulatory compliance team were fired and/or quit in rapid succession (including the Head of Regulatory Compliance and a Senior Compliance Manager), which heightened the risk of even further increasing onboarding times and worsening launch delays. *See* ¶¶151, 174-76, *infra*.

127. During the May 7, 2024 earnings call, an analyst asked about Marqeta’s previously reported 100-day improvement in launching timeframes and how Marqeta was “faring now” with respect to this metric. Khalaf responded that Marqeta had made a “lot of progress” due to Marqeta-in-a-Box and that “from the moment we touch a customer all the way to realizing the gross profit, right, we’ve made tremendous improvement north of 10%, which is material if you actually look at how this compounds”:

GUS GALA, ANALYST, MONNESS, CRESPI, HARDT & CO. INC.:

Hi, team. Thank you for taking my questions. Last couple of updates, we talked about ramps coming down about 100 days. We’re here a third of the way through the year. How are these faring now? What are we making progress on tangibly that’s allowing this to happen?

And last one I’ll layer in there is, can you dig in on progress, maybe penetration, Marqeta-in-a-Box, helping drive that down? Appreciate all the comments.

SIMON KHALAF:

Hi, Gus. This is Simon. *You’re absolutely right. I mean, we’ve made a lot of progress and I’ll attribute all these to all these to the Marqeta-in-a-Box solution, in addition to engaging our solution team early on in the process and not when the MSA is signed.*

So in a more concrete way, throughout the whole thing, as in like from the moment we touch a customer all the way to realizing the gross profit, right, we’ve made

1 *tremendous improvement north of 10%, which is material if you actually look at*
 2 *how this compounds. And I'd say that there's Marqeta-in-a-Box, that made a huge*
 3 *difference engaging the solutions team, working on a good blend between*
 4 *commercial and consumer, commercial moves much faster than consumer. And*
last but not least, focused on the, I'd say, a more expansion into the existing base
that reduces a lot of the upfront cycles.

5 So they know us, they've worked with us, our bank partners know them. So I would
 6 say overall, there's the tailwinds that are helping us because our customers land and
 7 we expand with them, but also *we've made significant operational improvements*
that have helped tremendously.

8 128. The statements in ¶127 were materially false and/or misleading when made and/or
 9 omitted to state material facts necessary to make the statements not misleading, because:

- 10 (a) At the time of the Q1 2024 earnings call, Marqeta was experiencing severe increases
 11 in onboarding times for new bookings. As Defendants later disclosed, Marqeta's
 12 average time for the onboarding and delivery of new programs was roughly 150 days
 13 in 2023, but that time more than doubled to >300 days during Q1 and Q2 2024 due
 14 to heightened regulatory scrutiny. *See* ¶110, *supra*;
- 15 (b) Khalaf's statement that "we've made tremendous improvement north of 10%" was
 16 particularly misleading given that the reference point in the question was the 100-
 17 day improvement in launch times that Defendants reported a quarter earlier and the
 18 question asked how these timeframes were "faring now." Khalaf's statement would
 19 be understood by a reasonable investor to suggest that Marqeta's speed in launching
 20 new programs had improved, not that onboarding was taking more than double the
 21 time that it took in 2023; and
- 22 (c) Khalaf's statements that "we've made significant operational improvements that
 23 have helped tremendously" and that these improvements were attributable to
 24 Marqeta-in-a-Box further suggested that launch times were improving, not
 25 worsening.

26 129. On May 7, 2024, Marqeta filed with the SEC its Form 10-Q for the Q1 2024 (the
 27 "Q1 2024 10-Q"). The Q1 2024 10-Q was signed by Defendants Khalaf and Milotich. In the Q1
 28 2024 10-Q, Defendants stated that:

1 In addition to the other information set forth in this Quarterly Report on Form 10-Q,
 2 our business, financial condition, results of operations, cash flows, future prospects,
 3 and the trading price of our Class A common stock can be affected by a number of
 4 factors, whether currently known or unknown, including but not limited to those
 5 described in Part I, Item 1A of our 2023 Annual Report under the heading “Risk
 6 Factors,” *which are incorporated herein by reference*, any one or more of which
 7 could, directly or indirectly, materially and adversely affect our business, financial
 8 condition, results of operations, cash flows, future prospects, and the trading price of
 9 our Class A common stock, or cause them to vary materially from past or anticipated
 10 future results. *There have been no material changes to our risk factors since the*
 11 *2023 Annual Report.*

12 130. The statements in ¶129 were materially false and/or misleading when made and/or
 13 omitted to state material facts necessary to make the statements not misleading, because:

- 14 (a) The statement incorporated the Onboarding Risk Factor set forth in ¶119 and the
 15 Regulatory Compliance Risk Factor set forth in ¶121. These risk factors were
 16 materially misleading for the same reasons set forth in ¶120 and ¶122, respectively;
- 17 (b) In addition, the statement in the Q1 2024 10-Q was even more misleading than when
 18 the risk factors were articulated in the 2023 10-K, because the risks had materialized
 19 to an even higher degree than they had at the time the 2023 10-K was filed. By the
 20 time of Q1 2024 10-Q, however, (1) Q1 2024 was fully complete, (2) Q2 2024 was
 21 roughly 41% complete, and (3) the first half of 2024 was roughly 67% complete.
 22 Thus, Marqeta had already experienced the trend of onboarding times doubling 2023
 23 onboarding times for an extended period of time. For the same reasons, the risk of
 24 business harms arising from regulatory compliance issues had further materialized
 25 and deepened, because Marqeta was experiencing prolonged onboarding times and
 26 launch delays that it attributed a regulatory environment of heightened scrutiny; and
- 27 (c) The statement that there had been “no material changes” to the risk factors was
 28 materially misleading, because the impacts and prolonged nature of the onboarding
 times and launch delays had deepened, and the failure to disclose these facts rendered
 the risk factor statements even more misleading.

1 **D. May 20, 2024 J.P. Morgan Global Technology, Media and Communications**
 2 **Conference**

3 131. On May 20, 2024, Defendants participated in a J.P. Morgan Global Technology,
 4 Media and Communications Conference. During this conference, an analyst asked whether, as
 5 Marqeta started to enter into larger deals, there would be a trade-off of slower implementations.
 6 Khalaf stated that Marqeta's deployment timeframes were improving year-over-year, so Marqeta
 7 could take on larger deals without comprising the deployment time:

8 TIEN-TSIN HUANG, ANALYST, J.P. MORGAN

9 You said you're going after enterprises. At Investor Day you said you were moving
 10 away from the VC-backed players, which makes sense. And now you've got
 11 enterprise, you have marketplace. *So could we expect larger deals in general, and*
 12 *the trade-off could be slower implementations? How should we evaluate that?*

13 SIMON KHALAF

14 Yes. *We intentionally do not want to trade a large number with a slower*
 15 *implementation cycle, right?* So the good thing on the enterprise side is we are the
 16 program manager.

17 So if you look at some of the deals that we've closed in fintech that took some time,
 18 we were not the program manager. So they had the relationship with the banks
 19 themselves.

20 Things are slow. Banks are not the fastest moving organizations. *So us being the*
 21 *program manager, it actually makes the programs go smoother, if not even faster.*
 22 *So we're not trading that.*

23 *So the answer is yes, there are going to be bigger deal, but the -- and we monitor*
 24 *this. The average and the median of the deployment cycles are coming down by*
 25 *about 11% year-over-year. So while we've broadened the pipe, we haven't*
 26 *compromised the deployment time.*

27 132. The statements in ¶131 were materially false and/or misleading when made and/or
 28 omitted to state material facts necessary to make the statements not misleading, because:

- 29 (a) At the time of the May 20, 2024 J.P. Morgan conference, Marqeta was experiencing
 30 severe increases in onboarding times for new bookings. As Defendants later
 31 disclosed, Marqeta's average time for the onboarding and delivery of new programs
 32 was roughly 150 days in 2023, but that time more than doubled to >300 days during
 33 Q1 and Q2 2024 due to heightened regulatory scrutiny. See ¶110, *supra*;

(b) Khalaf's statement that "[t]he average and the median of the deployment cycles are coming down by about 11% year-over-year" was materially misleading because it suggested that Marqeta's speed in launching new programs was improving, when in fact the average time to launch new programs had more than doubled compared to 2023; and

(c) Khalaf's statement echoed his prior statement, made during the May 7, 2024 earnings call, that "we've made tremendous improvement north of 10%," in response to a question about the previously reported 100-day improvement in launch times. *See* ¶127, *supra*. The similarity of these figures ("north of 10%" and "about 11%") and the similarity of the questions that were being asked (both relating to Marqeta's speed in implementing new programs) would lead a reasonable investor to interpret these statements as representations that onboarding times were improving. That onboarding times had actually more than doubled compared to 2023 is completely inconsistent with what a reasonable investor would take from Khalaf's statements.

E. Q2 2024 Results

133. On August 7, 2024, Marqeta announced its financial results for Q2 2024 and held an earnings call to discuss those results. During the earnings call on that date, an analyst asked about the balance between growth coming from new customers versus growth coming from existing customers. In responding, Khalaf stated that Marqeta was "on track" with its guidance for revenue from new customers, which according to Khalaf, "speaks volumes to how fast we can onboard new customers and get them ramped up." Their colloquy was as follows:

RAMSEY EL-ASSAL, ANALYST, BARCLAYS

I also wanted to ask, with the renewals behind you, you know, how should we think about the growth algorithm's balance between new customer versus existing customer growth? I think you guys have highlighted a lot of new opportunity on this call. I'm just kind of curious in your mind, which is shaping up to be the more powerful driver sort of today, and in your projections between sort of you know, harvesting growth from the clients you have today versus you know, new customers that you think may drive you know, kind of an incremental share of growth as we move forward?

1 SIMON KHALAF

2 . . . Ramsey, it is kind of yes and yes. *So we are excited that the new cohorts are on*
 3 *track to generate \$20 million in revenue, which is what we've guided. So we're on*
 4 *track with that. And again, speaks volumes to how fast we can onboard new*
 5 *customers and get them ramped up.* So that's a growth vector. Our customers also
 are growing, some of them geographically, others, they're launching multiple
 programs. So that also factors into our growth calculations.

6 134. The statements in ¶133 were materially false and/or misleading when made and/or
 7 omitted to state material facts necessary to make the statements not misleading, because:

- 8 (a) At the time of the Q2 2024 earnings call, Marqeta was experiencing severe increases
 9 in onboarding times for new bookings. As Defendants later disclosed, Marqeta's
 10 average time for the onboarding and delivery of new programs was roughly 150 days
 11 in 2023, but that time more than doubled to >300 days during Q1 and Q2 2024 due
 12 to heightened regulatory scrutiny. *See* ¶110, *supra*;
- 13 (b) In light of the foregoing, it was materially misleading for Khalaf to state that “new
 14 cohorts are on track to generate \$20 million in revenue” and that “we're on track with
 15 that” and that this progress “speaks volumes to how fast we can onboard new
 16 customers and get them ramped up.” Khalaf's statements implied that Marqeta's
 17 then-current rate of onboarding new customers was sufficient to allow Marqeta to
 18 achieve its projections, not that a rapid acceleration in onboarding was required to
 19 hit those goals;
- 20 (c) Khalaf failed to disclose certain idiosyncratic and unusual assumptions underlying
 21 his “on track” statements. As Defendants later explained, Defendants purportedly
 22 believed that notwithstanding the severe increases in onboarding times and resulting
 23 launch delays during the first two quarters of 2024, Marqeta would be able to reverse
 24 these trends and substantially improve onboarding times during the second half of
 25 2024. *See* ¶100, *supra*; ¶¶144-48, *infra*. Even if Defendants genuinely believed they
 26 could rapidly accelerate onboarding during the second half of 2024, it was materially
 27 misleading to describe the current onboarding of new customers as “on track” and to
 28 tout “how fast we can onboard new customers and get them ramped up” when in

1 order to hit Defendants’ projections, onboarding times would need to dramatically
 2 decrease compared to the those experienced during the first half of the year. *Id.*; and
 3 (d) Khalaf’s statements were particularly misleading in light of his previous statements
 4 during the Class Period, in which he represented, *inter alia*, (1) that launch times
 5 decreased by roughly 100 days during Q4 2023, *see* ¶115, *supra*, (2) that Marqeta
 6 had made “tremendous improvement north of 10%,” with respect on onboarding and
 7 ramping up new customers, *see* ¶127, *supra*, and (3) that the “average and the median
 8 of the deployment cycles are coming down by about 11% year-over-year,” *see* ¶131,
 9 *supra*. All of those statements suggested that onboarding times were improving. All
 10 of those statements were inconsistent with the reality that average onboarding times
 11 had more than doubled during Q1 and Q2 2024. In this context, to represent that
 12 onboarding was “on track” with Marqeta’s projections, while failing to disclose
 13 Defendants’ assumption that onboarding would rapidly increase in order to meet
 14 those projections, was materially misleading.

15 135. During the same call, an analyst asked about a recent hack with Evolve, one of
 16 Marqeta’s partner banks, whether that event impacted some of the other partner banks in the
 17 ecosystem, and, more generally, whether the start of new programs might be impacted by increased
 18 regulatory scrutiny. Khalaf responded that Marqeta did not see any impact from the Evolve hack
 19 and, more broadly, Defendants did not expect any medium-term or long-term challenges relating to
 20 regulatory scrutiny:

21 WILL NANCE, ANALYST, GOLDMAN SACHS

22 Hey, guys, appreciate you taking the question. I wanted to ask about some of the
 23 cybersecurity events that happened recently with the Evolve hack and just wondering
 24 if you could talk about maybe some of the ramifications for the broader ecosystem.
 25 And I guess A, how that’s impacting some of the partner banks in the ecosystem.
 26 And then B, ***if there’s any impact on pipelines or kind of new program upstarts that
 you know, may be impacted by increased regulatory scrutiny.***

26 SIMON KHALAF

27 Hey, Will, Simon here, thank you for the question. ***The short answer is no.*** The little
 28 bit long answer is there’s the CrowdStrike event that did not impact us, our
 predominant Mac shop. I mean, we are a customer of CrowdStrike, but thanks to the

1 great effort by our security team, we were not impacted. Neither were our customers
 2 impacted in any major way. So that's good. ***In terms of the other security and***
 3 ***regulatory scrutiny, I don't expect it to create medium-term or long-term***
 4 ***challenges on the contrary, I would say they are going to create a lot of tailwinds***
 5 ***for Marqeta, because of the flight to quality syndrome. We have demonstrated our***
 6 ***ability to scale and -- in a compliant manner.*** In terms of like Evolve, specifically,
 7 our business on Evolve is not big, but Evolve is a great partner of ours.

8 But most of the issues, I'd say, do not involve Marqeta. And some of the challenges
 9 that we've actually read in the press, we don't have intimate knowledge, are
 10 something that will not impact Marqeta, because we've invested heavily in those. I'd
 11 say in the chrome around our solution, whether it's settlement or reconciliation, this
 12 is something that we've done beautifully as we've scaled. ***So I would say that we're***
 13 ***looking good and this is actually working in favor of Marqeta.***

14 136. The statements in ¶135 were materially false and/or misleading when made and/or
 15 omitted to state material facts necessary to make the statements not misleading, because:

- 16 (a) Khalaf's statement failed to disclose that heightened regulatory scrutiny had
 17 significantly increased onboarding times resulting in launch delays. As Defendants
 18 later disclosed, Marqeta's average time for the onboarding and delivery of new
 19 programs was roughly 150 days in 2023, but that time more than doubled to >300
 20 days during Q1 and Q2 2024 due to heightened regulatory scrutiny. *See* ¶110, *supra*;
- 21 (b) In light of that omission, Khalaf's statements that "other security and regulatory
 22 scrutiny" did not "create medium-term or long-term challenges" and instead created
 23 "a lot of tailwinds for Marqeta" that were "actually working in favor of Marqeta"
 24 were materially misleading, because regulatory scrutiny had been creating material
 25 increases in onboarding times for half a year, which were resulting in launch delays
 26 and constituted a significant headwind;
- 27 (c) As Milotich admitted during the Q3 2024 earnings call on November 4, 2024, the
 28 increased onboarding times throughout the Class Period had created a "backlog of
 programs to launch" that would take a "few months" for Marqeta to work through.
See ¶¶107, 109, *supra*. Therefore, the increased regulatory scrutiny was clogging
 Marqeta's pipeline and delaying "new program upstarts" from launching and

generating revenue, which is precisely what the question was asking about. In light of the foregoing facts, Khalaf's answer of "no" was materially misleading; and

(d) Khalaf failed to disclose that during March and April 2024, three members of Marqeta's regulatory compliance team were fired and/or quit in rapid succession (including the Head of Regulatory Compliance and a Senior Compliance Manager). See ¶¶151, 174-76, *infra*. While Marqeta had hired replacements, these individuals had only a few months to get up to speed and were arriving at Marqeta at a time when it was already facing huge increases in onboarding times and a significant "backlog of programs to launch." See ¶¶107, 109, *supra*. Thus, regulatory scrutiny had caused a material impact on Marqeta's pipeline, and Khalaf's assurance of no expected "medium-term" challenges was materially misleading.

137. During the call, another analyst asked pipeline conversion, how Defendants' key assumptions were trending, and how that influenced Marqeta's visibility for gross profit growth. Khalaf responded that "onboarding is on track" and that "big picture-wise, we're largely on track and things are as planned":

ANDREW SCHMIDT, ANALYST, CITI

Hey Simon. Hey, Mike. Thanks for taking my questions and congrats on the sustained profitability flip here. If I could just go back to the November 2023 Analyst Day. I recall you had to make some assumptions around pipeline conversion and then you know, which segments would grow at which rates. Maybe you talk about how some of those key assumptions are trending. Obviously, some good wins announced in the quarter, so it seems fairly positive, but curious about how some of those key assumptions are trending and how that influences your visibility for gross profit growth in the out years. Thanks a lot, guys.

MIKE MILOTICH

Yeah, thank you for your question. I think for the most part, of course, there's always puts and takes. You don't get everything right, but I would say on a bigger picture level, we're very much on trend. ***We had said that we expected \$20 million in revenue from customers who essentially had not launched prior to 2024 in the year and we're on track to deliver that. And you know, that number is expected to go up to 60% or \$60 million, sorry, next year. So we feel good that the new business that we're onboarding is on track.*** I think in terms of when we look at the existing business and how it's trending. I would say you know, it's about as expected with maybe a slightly different mix than maybe we had anticipated a year ago.

1 I think some of the things that Simon has highlighted in financial services and this
 2 concept were just many, many companies, particularly in embedded finance, have
 3 some neo-bank aspects to their strategy in terms of how they want to engage their
 4 users or their employees. And so I would say that's an area we're probably seeing
 5 more demand than we had thought 9 months ago. So that's probably the earliest place
 6 where we're really seeing a lot of embedded finance activity. But ***big picture-wise,***
we're largely on track and things are as planned, with the one exception being our
 7 ability to manage cost effectively. That's the one place where we're noticeably ahead
 8 where we expected you know, 9 months ago.

138. The statements in ¶137 were materially false and/or misleading when made and/or
 omitted to state material facts necessary to make the statements not misleading, because:

- 9 (a) At the time of the Q2 2024 earnings call, Marqeta was experiencing severe increases
 10 in onboarding times for new bookings. As Defendants later disclosed, Marqeta's
 11 average time for the onboarding and delivery of new programs was roughly 150 days
 12 in 2023, but that time more than doubled to >300 days during Q1 and Q2 2024 due
 13 to heightened regulatory scrutiny. *See* ¶110, *supra*;
- 14 (b) In light of the foregoing, it was materially misleading for Khalaf to state that
 15 "onboarding is on track" and "we're largely on track and things are as planned."
 16 Khalaf's statements implied that Marqeta's then-current rate of onboarding new
 17 customers was sufficient to allow Marqeta to achieve its projections, not that a rapid
 18 acceleration in onboarding was required to hit those goals;
- 19 (c) Khalaf failed to disclose certain idiosyncratic and unusual assumptions underlying
 20 his "on track" statements. As Defendants later explained, Defendants purportedly
 21 believed that notwithstanding the severe increases in onboarding times and resulting
 22 launch delays during the first two quarters of 2024, Marqeta would be able to reverse
 23 these trends and substantially improve onboarding times during the second half of
 24 2024. *See* ¶¶110, 144-48, *supra*. Even if Defendants genuinely believed they could
 25 rapidly accelerate onboarding during the second half of 2024, it was materially
 26 misleading to describe the current onboarding of new customers as "on track" when
 27 in order to hit Defendants' projections, onboarding times would need to dramatically
 28 decrease compared to the those experienced during the first half of the year; and

(d) Khalaf's statements were particularly misleading in light of his previous statements during the Class Period, in which he represented, inter alia, (1) that launch times decreased by roughly 100 days during Q4 2023, *see* ¶115, *supra*, (2) that Marqeta had made "tremendous improvement north of 10%," with respect on onboarding and ramping up new customers, *see* ¶127, *supra*, and (3) that the "average and the median of the deployment cycles are coming down by about 11% year-over-year," *see* ¶131, *supra*. All of those statements suggested that onboarding times were improving. All of those statements were inconsistent with the reality that average onboarding times had more than doubled during Q1 and Q2 2024. In this context, to represent that onboarding was "on track" with Marqeta's projections, while failing to disclose Defendants' assumption that onboarding would rapidly increase in order to meet those projections, was materially misleading; and

(e) Khalaf's statements were also misleading because they were made 38 days into Q3 2024, and as Defendants later disclosed they were experiencing "lower contribution from new programs" which resulted in lower gross profits. *See* ¶108, *supra*. Defendants attributed this to new program launches being delayed by 70 days due to "the increased regulatory scrutiny over the last few quarters on the banking industry." *Id.*

139. On August 7, 2024, Marqeta filed with the SEC its Form 10-Q for the Q2 2024 (the "Q2 2024 10-Q"). The Q2 2024 10-Q was signed by Defendants Khalaf and Milotich. In the Q2 2024 10-Q, Defendants stated that:

In addition to the other information set forth in this Quarterly Report on Form 10-Q, our business, financial condition, results of operations, cash flows, future prospects, and the trading price of our Class A common stock can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in Part I, Item 1A of our 2023 Annual Report under the heading "Risk Factors," *which are incorporated herein by reference*, any one or more of which could, directly or indirectly, materially and adversely affect our business, financial condition, results of operations, cash flows, future prospects, and the trading price of our Class A common stock, or cause them to vary materially from past or anticipated future results. *There have been no material changes to our risk factors since the 2023 Annual Report.*

140. The statements in ¶139 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because:

- (a) The statement incorporated the Onboarding Risk Factor set forth in ¶119 and the Regulatory Compliance Risk Factor set forth in ¶121. These risk factors were materially misleading for the same reasons set forth in ¶¶120, 122, 130;
- (b) In addition, the statement in the Q2 2024 10-Q was even more misleading than when the risk factors were first articulated in the 2023 10-K and when the risk factors were incorporated into the Q1 2024 10-Q, because the risks had materialized to an even higher degree than they had earlier. At the time the Q2 2024 10-Q was filed, Marqeta had already experienced a trend of onboarding times doubling 2023 onboarding times for two full quarters. In addition, the risk of business harms arising from regulatory compliance issues had further materialized and deepened, because Marqeta was experiencing prolonged onboarding times and launch delays which were already negatively impacting profits contributions from new programs that it attributed to a regulatory environment of heightened scrutiny. *See* ¶108, *infra*; and
- (c) The statement that there had been “no material changes” to the risk factors was materially misleading, because the impacts and prolonged nature of the increased onboarding times and launch delays had deepened, and the failure to disclose these facts rendered the risk factor statements even more misleading.

VII. LOSS CAUSATION

141. Defendants’ wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Lead Plaintiff and the Class.

142. Throughout the Class Period, as detailed herein, Defendants made materially false and/or misleading statements and/or omissions. This course of wrongful conduct caused the price of Marqeta securities to be artificially inflated. But for Defendants’ misrepresentations and/or omissions, Plaintiff and the other members of the Class would not have purchased Marqeta securities or would not have purchased such securities at artificially inflated prices. Later, when Defendants’ prior misrepresentations and/or omissions were disclosed to the market, and/or when the concealed

1 risks materialized, the price of Marqeta shares fell significantly as the prior artificial price inflation
 2 was dissipated. As a result of their purchases and/or acquisition of Marqeta securities during the
 3 Class Period, Plaintiff and other members of the Class suffered economic losses, i.e., damages,
 4 under the Exchange Act. The timing and magnitude of the decline in the prices of the Company's
 5 shares negate any inference that the economic losses and damages suffered by Plaintiff and other
 6 members of the Class were caused by changed market conditions, macroeconomic factors, or
 7 Company-specific facts unrelated to Defendants' wrongful conduct.

8 143. As detailed in ¶¶105-14, *supra*, the truth regarding the future prospects of the
 9 Company and the concealed regulatory compliance risks materialized on or about November 4,
 10 2024. As a direct result of these disclosures, the price of Marqeta's stock declined significantly,
 11 precipitously, thereby damaging investors as the artificial inflation in Marqeta's stock price was
 12 removed.

13 **VIII. ADDITIONAL ALLEGATIONS CONCERNING FALSITY AND SCIENTER**

14 **A. Particular Details In Defendants' Admissions Show That They Knew About** 15 **The Increased Onboarding Times And Resulting Launch Delays During Q1** 16 **2024 And Q2 2024 But Deliberately Refrained From Disclosing Those Delays** **And Instead Made Misleading Claims About Marqeta's Launch Times**

17 144. During the Q3 2024 earnings call on November 4, 2024, Defendants made a number
 18 of critical admissions indicating not only that Marqeta was experiencing increased onboarding times
 19 during Q1 and Q2 2024, but also that Defendants *knew about the increased onboarding times and*
 20 *resulting launch delays in real time* and deliberately chose not to disclose them. Specifically,
 21 Milotich admitted that Defendants knew about the elevated regulatory scrutiny during the "first few
 22 months of 2024" and that Defendants *expected* the increases in launch times to occur:

23 *So if you look at the first few months of 2024, the regulatory scrutiny had clearly*
 24 *ratcheted up with more than 10 consent orders affecting the banks in our space.*
 25 *And so what we saw was an initial spike in the time to launch that was more than*
 26 *2x the average in 2023. So 2023 onboarding and delivery was typically around 150*
 27 *days roughly. And in Q1, Q2, that rose to over 300 days. This was expected given*
 28 *the sort of initial changes and sort of shock of all the changes that were happening.*
But at the start of Q3, we expected things to get back to where we had been in 2023.
But the new programs on average took about 30% to 40% longer to launch. And so
the time still remained over 200 days when it had previously been about 150 days.

1 145. Thus, Defendants expected that the 100-day improvement in launch times that Khalaf
2 touted during the Q4 2023 earnings call on February 28, 2024 *would be not be sustained*, at least
3 during the first two quarters of 2024. Instead, Defendants expected that onboarding times would be
4 dramatically elevated during the first two quarters of 2024, and supposedly expected that onboarding
5 times would revert back to 2023 levels starting in Q3 2024.

6 146. Indeed, Defendants told investors during the Q4 2023 earnings call that they
7 expected growth in the first half of 2024 to be weaker than growth in the second half of 2024. *See*
8 ¶¶75-76, *supra*. But they did not attribute this difference in expectations to expected increases in
9 onboarding times and resulting launch delays or regulatory scrutiny. Instead, Defendants explained
10 the difference in expectations for the two halves as being related to (1) the renewal of the Cash App
11 program and (2) expectations that more and more new programs would launch and then ramp up
12 throughout the year, producing compounding increases in revenue. *See* ¶¶75-76, *supra*.

13 147. Defendants were asked repeatedly about the 100-day improvement metric and
14 launch/ramp times throughout the Class Period. *See* ¶¶115, 123, 127, *supra*. In responding to these
15 questions, Defendants never acknowledged increased onboarding times or launch delays. *See*
16 ¶¶123, 127, *supra*. Instead, Defendants repeatedly touted Marqeta's speed in onboarding new
17 bookings and claimed launch times were getting faster, not slower. *See supra* at ¶115 (February 28,
18 2024) ("the time between close and launch in Q4 of this year was about 100 days better than the
19 previous year"); ¶123 (March 4, 2024) ("we've done a lot of work on speeding up delivery"); ¶125
20 (May 7, 2024) ("we are a little bit ahead [of schedule] based on a couple of customers launching a
21 little more quickly than we expected"); ¶127 (May 7, 2024) ("tremendous improvement north of
22 10%, which is material if you actually look at how this compounds"); ¶131 (May 20, 2024) ("The
23 average and the median of the deployment cycles are coming down by about 11% year-over-year.
24 So while we've broadened the pipe, we haven't compromised the deployment time."); ¶133 (August
25 7, 2024) ("we are excited that the new cohorts are on track to generate \$20 million in revenue, which
26 is what we've guided . . . [a]nd again, speaks volumes to how fast we can onboard new customers
27 and get them ramped up").
28

148. Even if Defendants genuinely believed that launch times would rapidly decrease enough during Q3 2024 to allow Marqeta to meet its projections, that does not excuse Defendants from misrepresenting present-day launch times. If Defendants told investors that launch times had doubled during Q1 and Q2 2024 but were expected to dramatically improve during Q3 2024, investors could have assessed how likely those predictions were to come to fruition. But Defendants did not make such disclosures, even though, as Defendants admitted at the end of the Class Period, they knew about the increased onboarding times and resulting launch delays in real time.

B. Defendants Made Misleading Statements During Q3 2024 Earnings Call In Order To Conceal And Minimize Defendants' Misconduct

149. Even though Defendants made a number of damning admissions during the Q3 2024 earnings call, they did not come clean with all of the relevant facts and instead made a number of further misleading statements aimed at deflecting responsibility and concealing the full circumstances underlying Defendants' earlier omissions.

150. First, Defendants represented that they had invested heavily in regulatory compliance early on, suggesting that they made their best efforts to get their arms around the challenging regulatory environment and reasonably expected an improvement in launch times during the second half of 2024. *See supra* at ¶109 (“We have been very aware of the scrutiny and working through it with our bank partners, *investing significantly more in our compliance efforts since the start of this year* to raise our program management standards ahead of the rising tide.”). Khalaf stated on the Q3 2024 earning call that “*Marqeta has taken a lot of steps early on before the increase in the regulatory scrutiny* and/or consent orders in order to review all our programs and the procedures that put in place.” Khalaf also claimed, “*[W]e’ve started the investment in compliance early on. Actually, it is the largest investment we’ve made tail-end of ‘23 and going into ‘24.*”

151. These statements were misleading because even though Defendants approved the hiring of 10 or 11 new regulatory compliance employees in December 2023, they did not begin filling most of these positions until after FE1 departed in April 2024. Moreover, Defendants did not disclose that three critical compliance employees—including the Head of Regulatory Compliance, a Senior Compliance Manager, and FE1—all were fired and/or quit their positions during March

1 and April of 2024. This departure of critical regulatory compliance staff during a time of increasing
 2 regulatory scrutiny was no doubt a disruptive event, and even if Marqeta quickly found replacements
 3 and filled the remaining positions, getting these new employees up to speed was made more difficult
 4 by the gutting of the compliance team.

5 152. Second, Milotich stated during the Q3 2024 earnings call that although Defendants
 6 were very aware of the heightened regulatory scrutiny during the first few months of 2024, “in the
 7 past 2 to 3 months, it has become clear we greatly underestimated the magnitude and time horizon
 8 for all parties to adapt to the new standards.” This statement was misleading, because Defendants
 9 were monitoring launch times in real time and thus knew that about the magnitude of the increase
 10 in onboarding times of >300 days throughout Q1 and Q2 2024. *See, e.g.*, ¶131, *infra* (Khalaf stated
 11 during J.P. Morgan conference on May 20, 2024 that “[W]e monitor this. The average and the
 12 median of the deployment cycles are coming down by about 11% year-over-year. So while we’ve
 13 broadened the pipe, *we haven’t compromised the deployment time.*”).

14 153. Even if Defendants believed that launch times would rapidly decrease starting in Q3
 15 2024, that provides no excuse for their misrepresentations about existing launch times during Q1
 16 and Q2 2024. Indeed, onboarding times did decrease during Q3 2024 (from >300 days to ~200-210
 17 days); they just did not decrease fast enough to overcome the massive increase in onboarding times
 18 and resulting launch delays that had already built up during the first half of 2024. The problem with
 19 Defendants’ Class Period statements, however, was not that Defendants underestimated how
 20 quickly launch times would improve; it is that they never disclosed the enormous increase in
 21 onboarding times in the first place, even though Defendants identified and quantified these
 22 onboarding times and launch delays in real time during Q1 and Q2 2024. Instead, Defendants
 23 repeatedly made affirmatively misleading statements about Marqeta’s launch times, speed of
 24 delivery, and operational efficiency that grossly mischaracterized existing conditions.

25 **C. Onboarding Of New Customers Was A Core Operation, Launch Time Was A**
 26 **Critical Performance Metric, And Regulatory Compliance Was A Core**
 27 **Competency That Defendants Claimed Was A Competitive Differentiator**

28 154. Onboarding new customers was a core operation for Marqeta. As Marqeta explained
 in its risk factors, “*If we fail to attract new customers . . . and to onboard them quickly, then we*

1 *may not be able to continue to grow our net revenue.*” Analysts frequently asked questions about
 2 the speed with which Marqeta was onboarding new customers and how that progress measured
 3 against Marqeta’s projections.

4 155. In particular, the length of time that Marqeta took in launching new programs was a
 5 critical performance metric for both Marqeta management and investors. At the beginning of the
 6 Class Period, Khalaf touted Marqeta’s *great strides in accelerating the time to launch for new*
 7 *programs*” and stated specifically that “On average, *the time between close and launch in Q4 of*
 8 *this year was about 100 days better than the previous year.*”

9 156. This 100-day improvement in launch times was identified by analysts as a
 10 particularly important performance measure. On February 29, 2024, the day after Khalaf reported
 11 this figure, J.P. Morgan issued a report stating, “*As of 4Q, the time to launch closed bookings was*
 12 *about 100 days shorter than the prior year. We’re impressed by the momentum and efficiency of*
 13 *the reoriented GTM [Go-To-Market] motion, which we expect to start helping growth in 2H24.*”

14 157. On March 4, 2024, at a Morgan Stanley conference, a participant asked, “The most
 15 recent call, you discussed the time to ramp new deals had improved significantly up *to as much as*
 16 *100 days faster than in 2022*, et cetera. *What changes specifically has led to that improvement?*”
 17 Khalaf responded by touting the Company’s “Marqeta in the box” construct, which he said “added
 18 a lot to speeding up the program launches.” He gave no indication of the increased onboarding
 19 times and resulting launch delays that Marqeta was then experiencing, *i.e.*, that onboarding times
 20 were over 300 days, more than double the average in 2023, and instead implied that improved launch
 21 times were a replicable, sustainable product of Marqeta’s improved processes.

22 158. On May 7, 2024, an analyst from Monness, Crespi, Hardt & Co. asked, “*Last couple*
 23 *of updates, we talked about ramps coming down about 100 days.* We’re here a third of the way
 24 through the year. *How are these faring now?*” Khalaf responded, “*You’re absolutely right.* I mean,
 25 we’ve made a lot of progress and I’ll attribute all these to all these to the Marqeta-in-a-Box solution
 26 [I]n a more concrete way, throughout the whole thing, as in like from the moment we touch a
 27 customer all the way to realizing the gross profit, right, *we’ve made tremendous improvement north*
 28 *of 10%, which is material if you actually look at how this compounds.*”

1 159. Thus, after Khalaf first identified the 100-day improvement during Q4 2023 on the
2 February 28, 2024 earnings call, analysts latched on this figure and repeatedly asked about it. In
3 responding, Khalaf never identified the increased onboarding times or updated the onboarding time
4 metric to indicate that the average onboarding time had increased to more than 300 days, more than
5 double the average time during 2023. Instead, he continually spoke about improved launch times
6 and speed of delivery.

7 160. Regulatory compliance was also a core operation at the Company. Defendants
8 repeatedly emphasized its importance and touted it as a competitive advantage for Marqeta. The
9 Company's 2023 10-K noted the significance of regulatory compliance, stating that Marqeta was
10 "subject to extensive regulation and oversight" and that "changes in . . . enforcement of existing
11 regulations may have an adverse effect on our business, results of operations, and financial condition
12"

13 161. On the Q4 2023 earnings call, Milotich highlighted that the Company had "achieved
14 a more efficient cost structure while maintaining compliance." In response to an analyst's inquiry
15 about regulatory compliance on that call, Khalaf stated that the Company had "invested in
16 compliance" and "take it very seriously." Milotich added that "there's definitely a component of a
17 *flight to quality which we think we are the beneficiaries* of, just given our scale and the level of
18 investment."

19 162. On the Q2 2024 earnings call, Khalaf said that given the "regulatory environment
20 change", "the guidance we provide our customers becomes a true differentiator." Khalaf said,
21 "[t]hat's why we continue to enhance both program management and compliance with the launch
22 of our new office in Warsaw, Poland, we're now equipped to support more program management
23 capabilities for our European customers, allowing us to deepen our already successful offering in
24 the market."

25 163. Defendants were also asked about the Evolve hack and whether they were impacted
26 by increased regulatory scrutiny on the Q2 2024 earnings call. In response, Milotich stated, "In
27 terms of the other security and regulatory scrutiny, I don't expect it to create medium-term or long-
28 term challenges on the contrary, *I would say they are going to create a lot of tailwinds for Marqeta,*

1 *because of the flight to quality syndrome. We have demonstrated our ability to scale and -- in a*
 2 *compliant manner.”*

3 **D. Defendants Were Aware Of Circumstances At Marqeta That Magnified The**
 4 **Risk Of Further Increasing Onboarding Times And Launch Delays**

5 164. On the Q3 2024 earnings call, Defendants admitted that onboarding and delivery
 6 time “rose to over 300 days” in Q1 2024 and Q2 2024 from “around 150 days” in 2023. Defendants
 7 also admitted that in Q3 2024 onboarding and delivery times remained 30% to 40% higher, or 200-
 8 210 days. *See* ¶¶106-10, *supra*. Throughout the Class Period, Defendants were aware of
 9 circumstances at Marqeta that magnified the risk that onboarding times would not improve and
 10 might worsen.

11 165. In June 2023, the FDIC, Federal Reserve Board, and Office of the Comptroller of the
 12 Currency issued interagency guidance on managing risks associated with third-party relationships,
 13 including relationships with fintech companies. The increased regulatory scrutiny was a topic of
 14 discussion in the industry and in the first few months of 2024 “more than 10 consent orders affected
 15 banks in [Marqeta’s] space.” *See* ¶¶49-57, *supra*. On February 1, 2024, Sutton Bank, Marqeta’s
 16 largest payment processor which accounted for nearly 80% of its transactions in 2023, entered into
 17 a consent order with the FDIC which would necessarily increase the regulatory compliance burden
 18 on Marqeta. As such, throughout the Class Period, analysts inquired about the regulatory
 19 environment and Defendants misleadingly touted their compliance efforts. *See* ¶¶161-63, *supra*.
 20 FE1 said regulatory scrutiny and consent orders were discussed frequently at Marqeta, including at
 21 every all-hands meeting and every meeting that included the entire legal department. FE3 similarly
 22 stated that consent orders impacted most of the banks Marqeta dealt with and were a somewhat
 23 frequent topic of conversation among Marqeta attorneys. FE3 believed that a new program was
 24 delayed because of a consent order.

25 166. Given the significance of Sutton Bank to Marqeta’s operations and the significance
 26 of regulatory compliance to Marqeta’s business, Defendants were aware of the need for resources
 27 to handle the increased regulatory scrutiny. Moreover, FE1 said Baker had been making requests
 28

1 for additional compliance resources consistently for at least a year prior to FE1's hiring in November
2 2023.

3 167. Nevertheless, as Milotich stated on the Q3 2023 earnings call, Marqeta "reduced [its]
4 workforce by approximately 20% in May [2023]" despite the anticipated increase in regulatory
5 scrutiny. Milotich also stated that Marqeta "intended to hire in a few priority areas" which would
6 result in "a net reduction of just over 15%." However, Milotich said "some of these hires are being
7 delayed through the middle of next year" as the Company "work[ed] to set up an office in a lower
8 cost jurisdiction." FE2 believes the major layoff in May 2023 contributed to onboarding delays.

9 168. On June 5, 2024, Marqeta issued a press release announcing that it had opened an
10 office in Poland. And, on August 7, 2024, Khalaf stated that Marqeta was enhancing "compliance
11 with the launch of our new office in Warsaw, Poland, we're now equipped to support more program
12 management capabilities for our European customers." These statements suggest that compliance
13 was one of the areas impacted by the delayed hiring announced in Q3 2024 which did not begin
14 until the end of Q2 2024. Moreover, on the Q3 2024 earnings call, Khalaf discussed Marqeta's
15 "investment in compliance," noting Marqeta "decided to onboard a lot of more tenants outside the
16 United States as well in Poland when it comes to risk management and compliance operations."

17 169. When FE1 joined Marqeta in November 2023, there were only three other people on
18 the regulatory compliance team. FE1 noticed immediately that resources were a problem and made
19 direct requests to Carlisle and Sumner for additional resources, on a weekly basis, and sometimes
20 multiple times a week, and they acknowledged that compliance was understaffed either during a
21 team meeting or in the weekly one-on-one meetings between FE1 and Carlisle. FE1 said James
22 Eagan joined the regulatory compliance team in December 2023; however, he did not have
23 regulatory compliance experience, and, therefore, was "not a proper regulatory compliance hire."

24 170. FE1 noted that Marqeta's compliance was not particularly well-monitored or tested
25 because of the lack of resources. As an example, FE1 described compliance testing FE1 performed
26 in Q1 2024, which involved confirming all required disclosures were sent. FE1 explained that when
27 an account is opened certain disclosures concerning legal rights needed to be provided. FE1 said
28 Marqeta could not prove they were in compliance with this requirement. FE1 said Marqeta was

1 asking for the world but also asking its compliance employees not to take any time or resources to
2 complete their work. FE1 said, “it was ridiculous.”

3 171. In December 2023, Carlisle was named Chief Compliance Officer. Baker informed
4 Khalaf, Carlisle and Sumner of the need for additional resources and briefed FE1 on these
5 discussions. Based on FE1’s decade of experience in the industry and conversations with Baker and
6 Latson about the resources needed, FE1 concluded that Marqeta should have had between 30 and
7 35 people in regulatory compliance. FE1 said Carlisle and Baker developed a compliance plan for
8 expanding the department and FE1 and others were told in December 2023 that Marqeta would be
9 adding 10 or 11 new positions by the end of 2024. FE1 stated that even with the new hires the team
10 would still be short by about 20 people.

11 172. FE1 stated, “I was not shy about the fact that we didn’t have enough people.” In
12 January 2024, in a one-on-one virtual meeting over Teams, FE1 told Sumner that the regulatory
13 compliance team was understaffed and that FE1 was “deeply concerned” with the amount of work
14 Baker and Latson had on their plates. FE1 told Sumner in this meeting that the lack of support was
15 going to cause long-term problems and Sumner’s response was “we know and we care and we’re
16 on it.” FE1 said that while management would claim “we’re going all-in on compliance,” it that
17 was just lip service that did not play out in reality. Baker, Latson and FE1 used to laugh at these
18 meetings and say, “You don’t care about compliance. You’re just lying to our faces.”

19 173. Given Defendants’ plan to delay hiring until at least Q2 2024, Defendants knew or
20 were consciously reckless in not knowing that they lacked adequate resources to address the
21 increased regulatory scrutiny without increasing onboarding times and delaying launches. FE1
22 recalled that in an all-hands meeting Khalaf said compliance was Marqeta’s “number one
23 responsibility.” According to FE1, however, Khalaf must have known the compliance team was
24 understaffed, because he approved hiring 10 or 11 people for the team.

25 174. In March and April of 2023, Marqeta’s compliance team lost three critical members,
26 which worsened the staffing shortage even further. According to FE1 and FE3, Baker was fired in
27 March 2024. FE1 said Latson resigned the Monday after Baker was fired because he felt the
28 compliance department was under-resourced and over-worked. FE1 resigned two weeks later. This

1 decimation of the regulatory compliance team was essentially a second restructuring, which
2 worsened the prospects for Marqeta reducing onboarding times.

3 175. Even if new staff was hired after this loss of critical personnel, the new hires would
4 take time to get up to speed, which would be more difficult given the loss of experienced senior
5 personnel. FE1 said there were only two new regulatory compliance hires before FE1 left the
6 company in April 2024, yet FE1 said they did not have the right experience explaining that one
7 employee “came from the medical world, and the other was good with data and metrics, but did not
8 have regulatory compliance knowledge or experience.” FE3 similarly stated that Marqeta constantly
9 removed mid-level management and hired people of lesser experience, overloading people with
10 work.

11 176. FE3 recalled that Baker was replaced by two persons hired shortly after his departure.
12 FE3 also stated that Marqeta hired quite a few people for the compliance team in the summer of
13 2024, confirming Milotich’s statement that hiring would be in the “middle of next year.” However,
14 these new hires were in Poland and were focused on European customers (*see* ¶168, *supra*), and
15 thus were unlikely to have the experience required to address the increased regulatory scrutiny from
16 the FDIC, Federal Reserve Board, and Office of the Comptroller of the Currency. As such, it was
17 unlikely that these new hires would meaningfully bring down onboarding times in the near future.

18 177. In February 2024, FE2 briefed Sumner about IT risks tracked in OneTrust and told
19 Sumner that FE2 could build out OneTrust to include regulatory compliance risks. FE2 explained
20 that this would provide greater visibility and transparency. Between February 2024 and April 2024,
21 FE2 held group calls with employees who reported to Sumner regarding tracking regulatory
22 compliance risks in the system. FE2 recalled that Company leaders blamed longer onboarding times
23 on increased regulatory scrutiny. FE2 said Company leaders were told to take action, but instead
24 they focused on cutting costs. FE2 believed the Company leadership had a tremendously high
25 appetite for risk, “which was shocking.”

26 178. FE3 said compliance team members felt unsupported by the Company, noting that
27 they lacked the staffing and support to make decisions to complete their tasks. FE3 said that while
28 every company has problems when it comes to compliance, Marqeta continuously ignored things

1 and pretended to accept the risks, no matter how high, just to sign a customer, which crossed a line,
2 particularly as a publicly traded company. For example, FE3 said Marqeta opened an office in
3 Poland without getting the approval of a banking partner, and this quickly became a problem. The
4 banking partner and Marqeta agreed to certain privacy protections, but the banking partner did not
5 believe the Polish vendor could honor those guardrails.

6 179. Defendants were also aware of the need to remediate its material weakness which
7 according to FE2 was identified in an external audit in Q3 2023 and was disclosed by Defendants
8 in the 2023 10-K along with their remediation plans. FE2 noted that the Head of Internal Audit
9 reported directly to the CFO, so Marqeta's executive leadership should have been briefed on the
10 relevant events. FE2 said there was a massive push to get this material weakness off the books by
11 the second quarter of 2024 and a lot of resources got shifted to that focus. FE2 said this shift in
12 resources contributed to onboarding delays. FE3 also said an external SOC audit was performed in
13 January 2024 by Schellman, a third-party vendor, and found a significant security flaw at Marqeta
14 that consumed the engineering team's time and likely resulted in some onboarding delays.

15 180. On February 26, 2025, Defendants filed their annual report for the fiscal year 2024,
16 which stated that "management deems these material weaknesses remediated as of the date of the
17 filing of this Annual Report on Form 10-K." Defendants knew or were consciously reckless in not
18 knowing that the diversion of resources to remediate these weaknesses was hindering their ability
19 to bring down onboarding times and address the increased regulatory scrutiny.

20 **IX. CLASS ACTION ALLEGATIONS**

21 181. Lead Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
22 Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased
23 or otherwise acquired Marqeta securities between February 28, 2024 and November 4, 2024
24 inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants,
25 the officers and directors of the Company, at all relevant times, members of their immediate families
26 and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants
27 have or had a controlling interest.

1 182. The members of the Class are so numerous that joinder of all members is
2 impracticable. Throughout the Class Period, Marqeta's shares actively traded on the NASDAQ.
3 While the exact number of Class members is unknown to Lead Plaintiff at this time and can only be
4 ascertained through appropriate discovery, Lead Plaintiff believes that there are at least hundreds or
5 thousands of members in the proposed Class. Millions of Marqeta shares were traded publicly
6 during the Class Period on the NASDAQ. Record owners and other members of the Class may be
7 identified from records maintained by Marqeta or its transfer agent and may be notified of the
8 pendency of this action by mail, using the form of notice similar to that customarily used in securities
9 class actions.

10 183. Lead Plaintiff's claims are typical of the claims of the members of the Class as all
11 members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal
12 law that is complained of herein.

13 184. Lead Plaintiff will fairly and adequately protect the interests of the members of the
14 Class and has retained counsel competent and experienced in class and securities litigation.

15 185. Common questions of law and fact exist as to all members of the Class and
16 predominate over any questions solely affecting individual members of the Class. Among the
17 questions of law and fact common to the Class are:

18 (a) whether the federal securities laws were violated by Defendants' acts as alleged
19 herein;

20 (b) whether statements made by Defendants to the investing public during the Class
21 Period omitted and/or misrepresented material facts about the business, operations, and
22 prospects of Marqeta; and

23 (c) to what extent the members of the Class have sustained damages and the proper
24 measure of damages.

25 186. A class action is superior to all other available methods for the fair and efficient
26 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
27 damages suffered by individual Class members may be relatively small, the expense and burden of
28

1 individual litigation makes it impossible for members of the Class to individually redress the wrongs
2 done to them. There will be no difficulty in the management of this action as a class action.

3 **X. APPLICABILITY OF PRESUMPTION OF RELIANCE**

4 187. The market for Marqeta's securities was open, well-developed and efficient at all
5 relevant times. As a result of the materially false and/or misleading statements and/or failures to
6 disclose, Marqeta's securities traded at artificially inflated prices during the Class Period. On
7 November 4, 2024, the Company's share price closed at a Class Period high of \$5.95 per share.
8 Lead Plaintiff and other members of the Class purchased or otherwise acquired the Company's
9 securities relying upon the integrity of the market price of Marqeta's securities and market
10 information relating to Marqeta, and have been damaged thereby.

11 188. During the Class Period, the artificial inflation of Marqeta's shares was caused by
12 the material misrepresentations and/or omissions particularized in this Complaint causing the
13 damages sustained by Lead Plaintiff and other members of the Class. As described herein, during
14 the Class Period, Defendants made or caused to be made a series of materially false and/or
15 misleading statements about Marqeta's business, prospects, and operations. These material
16 misstatements and/or omissions created an unrealistically positive assessment of Marqeta and its
17 business, operations, and prospects, thus causing the price of the Company's securities to be
18 artificially inflated at all relevant times, and when disclosed, negatively affected the value of the
19 Company shares. Defendants' materially false and/or misleading statements during the Class Period
20 resulted in Lead Plaintiff and other members of the Class purchasing the Company's securities at
21 such artificially inflated prices, and each of them has been damaged as a result.

22 189. At all relevant times, the market for Marqeta's securities was an efficient market for
23 the following reasons, among others:

- 24 (a) Marqeta shares met the requirements for listing, and was listed and actively traded
25 on the NASDAQ, a highly efficient and automated market;
26 (b) As a regulated issuer, Marqeta filed periodic public reports with the SEC and/or the
27 NASDAQ;
28

1 (c) Marqeta regularly communicated with public investors via established market
2 communication mechanisms, including through regular dissemination of press releases on
3 the national circuits of major newswire services and through other wide-ranging public
4 disclosures, such as communications with the financial press and other similar reporting
5 services; and/or

6 (d) Marqeta was followed by securities analysts employed by brokerage firms who wrote
7 reports about the Company, and these reports were distributed to the sales force and certain
8 customers of their respective brokerage firms. Each of these reports was publicly available
9 and entered the public marketplace.

10 190. As a result of the foregoing, the market for Marqeta's securities promptly digested
11 current information regarding Marqeta from all publicly available sources and reflected such
12 information in Marqeta's share price. Under these circumstances, all purchasers of Marqeta's
13 securities during the Class Period suffered similar injury through their purchase of Marqeta's
14 securities at artificially inflated prices and a presumption of reliance applies.

15 191. A Class-wide presumption of reliance is also appropriate in this action under the
16 Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972),
17 because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or
18 omissions. Because this action involves Defendants' failure to disclose material adverse
19 information regarding the Company's business operations and financial prospects—information that
20 Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery.
21 All that is necessary is that the facts withheld be material in the sense that a reasonable investor
22 might have considered them important in making investment decisions. Given the importance of
23 the Class Period material misstatements and omissions set forth above, that requirement is satisfied
24 here.

25 **XI. NO SAFE HARBOR**

26 192. The statutory safe harbor provided for forward-looking statements under certain
27 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.
28 The statements alleged to be false and misleading herein all relate to then-existing facts and

1 conditions. In addition, to the extent certain of the statements alleged to be false may be
 2 characterized as forward looking, they were not identified as “forward-looking statements” when
 3 made and there were no meaningful cautionary statements identifying important factors that could
 4 cause actual results to differ materially from those in the purportedly forward-looking statements.
 5 In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-
 6 looking statements pleaded herein, Defendants are liable for those false forward-looking statements
 7 because at the time each of those forward-looking statements was made, the speaker had actual
 8 knowledge that the forward-looking statement was materially false or misleading, and/or the
 9 forward-looking statement was authorized or approved by an executive officer of Marqeta who
 10 knew that the statement was false when made.

11 **XII. CLAIMS FOR RELIEF**

12 **FIRST CLAIM**

13 **Violation of Section 10(b) of The Exchange Act and** 14 **Rule 10b-5 Promulgated Thereunder** 15 **Against All Defendants**

16 193. Lead Plaintiff repeats and re-alleges each and every allegation contained above as if
 17 fully set forth herein.

18 194. During the Class Period, Defendants carried out a plan, scheme and course of conduct
 19 which was intended to and, throughout the Class Period, did: (i) deceive the investing public,
 20 including Lead Plaintiff and other Class members, as alleged herein; and (ii) cause Lead Plaintiff
 21 and other members of the Class to purchase Marqeta’s securities at artificially inflated prices. In
 22 furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant,
 23 took the actions set forth herein.

24 195. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue
 25 statements of material fact and/or omitted to state material facts necessary to make the statements
 26 not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a
 27 fraud and deceit upon the purchasers of the Company’s securities in an effort to maintain artificially
 28 high market prices for Marqeta’s securities in violation of Section 10(b) of the Exchange Act and

1 Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal
2 conduct charged herein or as controlling persons as alleged below.

3 196. Defendants, individually and in concert, directly and indirectly, by the use, means or
4 instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
5 continuous course of conduct to conceal adverse material information about Marqeta's financial
6 well-being and prospects, as specified herein.

7 197. Defendants employed devices, schemes and artifices to defraud, while in possession
8 of material adverse non-public information and engaged in acts, practices, and a course of conduct
9 as alleged herein in an effort to assure investors of Marqeta's value and performance and continued
10 substantial growth, which included the making of, or the participation in the making of, untrue
11 statements of material facts and/or omitting to state material facts necessary in order to make the
12 statements made about Marqeta and its business operations and future prospects in light of the
13 circumstances under which they were made, not misleading, as set forth more particularly herein,
14 and engaged in transactions, practices and a course of business which operated as a fraud and deceit
15 upon the purchasers of the Company's securities during the Class Period.

16 198. Each Individual Defendant's primary liability and controlling person liability arises
17 from the following facts: (i) Individual Defendants were high-level executives and/or directors at
18 the Company during the Class Period and members of the Company's management team or had
19 control thereof; (ii) each Individual Defendant, by virtue of their responsibilities and activities as a
20 senior officer and/or director of the Company, was privy to and participated in the creation,
21 development and reporting of the Company's internal budgets, plans, projections and/or reports;
22 (iii) each Individual Defendant enjoyed significant personal contact and familiarity with other
23 Defendants and was advised of, and had access to, other members of the Company's management
24 team, internal reports and other data and information about the Company's finances, operations, and
25 sales at all relevant times; and (iv) each Defendant was aware of the Company's dissemination of
26 information to the investing public which they knew and/or recklessly disregarded was materially
27 false and misleading.

28

1 199. Defendants had actual knowledge of the misrepresentations and/or omissions of
2 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
3 ascertain and to disclose such facts, even though such facts were available to them. Such
4 Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and
5 for the purpose and effect of concealing Marqeta's financial well-being and prospects from the
6 investing public and supporting the artificially inflated price of its securities. As demonstrated by
7 Defendants' overstatements and/or misstatements of the Company's business, operations, financial
8 well-being, and prospects throughout the Class Period, Defendants, if they did not have actual
9 knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain
10 such knowledge by deliberately refraining from taking those steps necessary to discover whether
11 those statements were false or misleading.

12 200. As a result of the dissemination of the materially false and/or misleading information
13 and/or failure to disclose material facts, as set forth above, the market price of Marqeta's securities
14 was artificially inflated during the Class Period. In ignorance of the fact that market prices of the
15 Company's securities were artificially inflated, and relying directly or indirectly on the false and
16 misleading statements made by Defendants, or upon the integrity of the market in which the
17 securities trades, and/or in the absence of material adverse information that was known to or
18 recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during
19 the Class Period, Lead Plaintiff and the other members of the Class acquired Marqeta's securities
20 during the Class Period at artificially high prices and were damaged thereby.

21 201. At the time of said misrepresentations and/or omissions, Lead Plaintiff and other
22 members of the Class were ignorant of their falsity, and believed them to be true. Had Lead Plaintiff
23 and the other members of the Class and the marketplace known the truth regarding the problems
24 that Marqeta was experiencing, which were not disclosed by Defendants, Lead Plaintiff and other
25 members of the Class would not have purchased or otherwise acquired their Marqeta securities, or,
26 if they had acquired such securities during the Class Period, they would not have done so at the
27 artificially inflated prices which they paid.

28

1 Act. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiff and other
2 members of the Class suffered damages in connection with their purchases of the Company's
3 securities during the Class Period.

4 **XIII. PRAYER FOR RELIEF**

5 WHEREFORE, Lead Plaintiff prays for relief and judgment, as follows:

6 (a) Determining that this action is a proper class action under Rule 23 of the Federal
7 Rules of Civil Procedure;

8 (b) Awarding compensatory damages in favor of Lead Plaintiff and the other Class
9 members against all Defendants, jointly and severally, for all damages sustained as a result of
10 Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

11 (c) Awarding Lead Plaintiff and the Class their reasonable costs and expenses incurred
12 in this action, including counsel fees and expert fees; and

13 (d) Such other and further relief as the Court may deem just and proper.

14 **XIV. JURY TRIAL DEMANDED**

15 Lead Plaintiff hereby demands a trial jury.

16
17
18 DATED: April 10, 2025

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