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12 UNITED STATES DISTRICT COURT

13 NORTHERN DISTRICT OF CALIFORNIA

14 CORINNE GONSALVES, Individually and on )  
Behalf of All Others Similarly Situated, )

15 Plaintiff, )

16 vs. )

17 BLOCK, INC., JACK DORSEY, and )  
18 AMRITA AHUJA, )

19 Defendants. )

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

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1 Plaintiff Corinne Gonsalves (“plaintiff”), by and through plaintiff’s undersigned attorneys,  
2 individually and on behalf of all others similarly situated, alleges the following based upon  
3 personal knowledge as to plaintiff and plaintiff’s own acts and upon information and belief as to  
4 all other matters, based upon, *inter alia*, the investigation conducted by and through plaintiff’s  
5 attorneys, which included, among other things, a review of defendants’ public documents,  
6 conference calls, announcements, and U.S. Securities and Exchange Commission (“SEC”) filings,  
7 wire and press releases published by and regarding Block, Inc. (“Block” or the “Company”),  
8 analysts’ reports and advisories about the Company, and information readily obtainable on the  
9 Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set  
10 forth herein after a reasonable opportunity for discovery.

#### 11 NATURE OF THE ACTION

12 1. This is a securities class action on behalf of all purchasers of Block Class A  
13 common stock between February 26, 2020 and April 30, 2024, inclusive (“Class Period”), seeking  
14 to pursue remedies and recover damages caused by defendants’ violations of §§10(b) and 20(a) of  
15 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§78j(b) and 78t(a), and SEC  
16 Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5.

17 2. Block is a financial technology conglomerate. The Company’s inaugural product  
18 is Square, a financial services platform for small and medium-sized businesses. The Company  
19 later launched Cash App (f/k/a “Square Cash”), a mobile payment service that allows users to  
20 transfer money using a mobile phone. Through the Cash App, users can transact in bitcoin, and  
21 Block prides itself in providing a “frictionless” consumer experience with minimal hurdles to  
22 opening an account, sending and receiving payments, and depositing and withdrawing funds.

23 3. During the Class Period, defendants claimed that Block maintained robust anti-  
24 money laundering (“AML”) and other compliance protocols and procedures designed to  
25 effectively prevent the use of the Company’s products and services from being used for illicit or  
26 criminal activities. For example, in periodic SEC filings, defendants represented that the Company  
27 had “implemented an AML program designed to prevent our payments network from being used  
28 to facilitate money laundering, terrorist financing, and other illicit activity.” Defendants further

1 stated that this compliance program was “designed to prevent [Block’s] network from being used  
2 to facilitate business in countries, or with persons or entities, included on designated lists  
3 promulgated by the U.S. Department of the Treasury’s Office of Foreign Assets Controls and  
4 equivalent applicable foreign authorities.” Defendants highlighted Block’s “policies, procedures,  
5 reporting protocols, and internal controls, including the designation of an AML compliance  
6 officer” and its purported “vet[ting] and monitor[ing]” of Block’s customers and the transactions  
7 on Block’s platforms, which defendants claimed addressed the Company’s “legal and regulatory  
8 requirements and [were designed] to assist in managing risk associated with money laundering and  
9 terrorist financing.”

10 4. These and similar representations made by defendants during the Class Period were  
11 materially false and misleading when made. In truth, and as defendants knew or recklessly  
12 disregarded, Block failed to implement even basic due diligence and know your customer (“KYC”)  
13 protocols, effectively creating a haven for criminal and illicit activities on its Square and Cash App  
14 platforms. Among the numerous illegal activities that proliferated on Block products during the  
15 Class Period, Company customers used Block products to engage in money laundering, child  
16 sexual abuse, sex trafficking, drug trafficking, terrorism financing, contract killings, and illicit  
17 payments to entities and persons subject to economic sanctions. Block failed to report thousands  
18 of suspicious transactions to regulatory authorities, permitted customers subject to sanctions alerts  
19 to complete transactions before the alerts were resolved, and failed to screen customer biographies  
20 against sanctions key word lists, among numerous other compliance shortfalls. As former  
21 employees would later reveal, defendants failed to course-correct, even after senior Block  
22 leadership was alerted to these deficiencies and despite numerous red flags, ultimately leading to  
23 multiple whistleblower complaints and probes and fines by regulators.

24 5. As a result of defendants’ wrongful acts and omissions, and the subsequent declines  
25 in the market value of Block Class A common stock, which dropped 77% to a low of less than \$66  
26 per share by Class Period end from its Class Period peak of over \$289 per share, plaintiff and other  
27 members of the Class (defined below) suffered significant financial losses and economic damages  
28 under the federal securities laws.

**JURISDICTION AND VENUE**

6. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5.

7. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §1331.

8. Venue is proper in this District pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §1391(b). Many of the acts and transactions that constitute the alleged violations of law, including the dissemination to the public of untrue statements of material fact, occurred in this District, and the Company’s headquarters are located in this District.

9. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

**PARTIES**

10. Plaintiff Corinne Gonsalves purchased Block Class A common stock as described in the attached certification, which is incorporated herein by reference, and suffered damages as a result of the conduct alleged herein.

11. Defendant Block is payment processing headquartered in Oakland, California. Shares of Block Class A common stock trade on the New York Stock Exchange (“NYSE”) under the ticker symbol “SQ.”

12. Defendant Jack Dorsey (“Dorsey”) was the Principal Executive Officer of Block, a position the Company styles as “Block Head,” and Chairperson of Block’s Board of Directors (the “Board”) during the Class Period.

13. Defendant Amrita Ahuja (“Ahuja”) was the Chief Financial Officer (“CFO”) and, since February 2023, the Chief Operating Officer (“COO”) of Block during the Class Period.

14. Defendants Dorsey and Ahuja are collectively referred to as the “Individual Defendants.” The Individual Defendants, together with Block, are collectively “defendants.”



1 December 31, 2023, the Company reported total net revenue of \$21.92 billion and gross profit of  
2 \$7.5 billion. This compares to total net revenue of \$1.31 billion and gross profit of \$527 million  
3 for the fiscal year ended December 31, 2019 – or more than 1,500% revenue growth and more than  
4 1,300% profit growth during the Class Period. Defendants attributed this monumental growth to  
5 Block’s relatively “frictionless” user interface; the ease of use for customers seeking to open an  
6 account, to transact, or to deposit or withdraw funds; and the Company’s successful efforts to reach  
7 unbanked communities. For example, during the Class Period defendants described Cash App as  
8 a means “to redefine the world’s relationship with money by making it more relatable, instantly  
9 available, and universally accessible.” Similarly, defendants pointed to Square’s purported  
10 “ability to add new sellers efficiently, help them grow their business, and cross-sell [Block’s]  
11 products and services” as historically leading “to continued and sustained long-term growth.”  
12 Defendant Ahuja likewise summarized Block’s “ambition” as providing “the values and services  
13 that people get today from traditional financial institutions and to do that in a[s] seamless, easy-  
14 to-onboard, frictionless, consumer-friendly way as possible.”

15 19. Unbeknownst to investors, however, in reality Block’s growth during the Class  
16 Period was propelled by defendants’ intentional (or at the very least reckless) and systemic  
17 disregard for the Company’s regulatory compliance obligations. Defendants fostered a ““Wild  
18 West”” approach to monitoring and preventing illicit transactions at Block and – despite numerous  
19 red flags, internal reports of system deficiencies by Company employees, and user complaints –  
20 effectively created a safe haven for criminals and other bad actors seeking to engage in illicit or  
21 illegal activities. Block’s products were used for, *inter alia*, money laundering, child sexual abuse,  
22 sex trafficking, drug trafficking, terrorism financing, contract killings, and illicit payments to  
23 entities and persons subject to economic sanctions. Block failed to report thousands of suspicious  
24 transactions, permitted customers subject to sanctions alerts to complete transactions before the  
25 alerts were resolved, and failed to screen customer biographies against sanctions key word lists,  
26 among numerous other compliance failures. As former employees would later reveal, defendants  
27 failed to course-correct even after senior Block leadership was alerted to these deficiencies and  
28 despite numerous red flags, ultimately leading to multiple whistleblower complaints and probes

1 by regulators. As described by one former employee: “*From the ground up, everything in the*  
2 *compliance section was flawed. . . . It is led by people who should not be in charge of a regulated*  
3 *compliance program*” – a sentiment wholly at odds with defendants’ Class Period representations  
4 to investors.

5 20. On January 15, 2025, a group of 48 state financial regulators announced that Block  
6 had agreed to pay an \$80 million fine after the agencies determined the Company had insufficient  
7 policies for policing money laundering through Cash App.

8 21. On January 16, 2025, Block entered into a stipulation and consent order with the  
9 Consumer Financial Protection Bureau (“CFPB”) and was ordered to refund and pay other redress  
10 to consumers up to \$120 million and a \$55 million penalty. According to CFPB director Rohit  
11 Chopra: “Cash App created the conditions for fraud to proliferate on its popular payment platform.  
12 . . . When things went wrong, Cash App flouted its responsibilities and even burdened local banks  
13 with problems that the company caused.”

14 **DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS**  
15 **AND OMISSIONS DURING THE CLASS PERIOD**

16 22. The Class Period begins on February 26, 2020. On that date, Block issued a  
17 shareholder letter for the Company’s fourth fiscal quarter and year ended December 31, 2019  
18 signed by defendants Dorsey and Ahuja (“FY19 Letter”). For the fourth quarter, the FY19 Letter  
19 stated that Block achieved 41% year-over-year total net revenue growth to \$1.31 billion and 39%  
20 year-over-year gross profit growth to \$527 million. For the year, the FY19 Letter stated that Block  
21 achieved 43% year-over-year total net revenue growth to \$4.71 billion and 45% year-over-year  
22 gross profit growth to \$1.89 billion. For the Square (f/k/a “Seller”) segment, the FY19 Letter  
23 stated that Block achieved 26% year-over-year revenue growth to \$938 million and 27% year-  
24 over-year gross profit growth to \$379 million in the fourth quarter. For the Cash App segment,  
25 the FY19 Letter stated that Block achieved 147% year-over-year revenue growth to \$361 million  
26 and 104% year-over-year gross profit growth to \$144 million in the fourth quarter. The FY19  
27 Letter also stated that Cash App had approximately 24 million monthly active customers in  
28 December 2019, achieving 60% year-over-year growth.



1 23. Also on February 26, 2020, Block filed with the SEC an annual report on Form 10-  
2 K for its fiscal year ended December 31, 2019, which was signed by defendants Dorsey and Ahuja  
3 who also certified that the report was materially complete, accurate, and free from fraud. The  
4 Form 10-K included the financial and operating information about Block contained in the FY19  
5 Letter. In addition, the Form 10-K highlighted that Block had put in place a “compliance program  
6 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-K stated  
7 that Block and its employees “vet and monitor [the Company’s] customers and the payments  
8 transactions we process for them as part of our risk management efforts.” In particular, the Form  
9 10-K represented that the Company had implemented an effective AML program designed to  
10 prevent money laundering, terrorist financing, and other illicit activity, stating in pertinent part as  
11 follows:

12 We are subject to anti-money laundering (AML) laws and regulations in the  
13 United States and other jurisdictions. *We have implemented an AML program  
14 designed to prevent our payments network from being used to facilitate money  
15 laundering, terrorist financing, and other illicit activity. Our program is also  
16 designed to prevent our network from being used to facilitate business in  
17 countries, or with persons or entities, included on designated lists promulgated  
18 by the U.S. Department of the Treasury’s Office of Foreign Assets Controls and  
19 equivalent applicable foreign authorities. Our AML compliance program  
20 includes policies, procedures, reporting protocols, and internal controls,  
21 including the designation of an AML compliance officer, and is designed to  
22 address these legal and regulatory requirements and to assist in managing risk  
23 associated with money laundering and terrorist financing.*

24 24. On May 6, 2020, Block issued a shareholder letter for the Company’s first fiscal  
25 quarter ended March 31, 2020 signed by defendants Dorsey and Ahuja (“1Q20 Letter”). For the  
26 quarter, the 1Q20 Letter stated that Block achieved 44% year-over-year total net revenue growth  
27 to \$1.38 billion and 36% year-over-year gross profit growth to \$539 million. For the Square  
28 segment, the 1Q20 Letter stated that Block achieved 16% year-over-year revenue growth to \$853  
million and 18% year-over-year gross profit growth to \$356 million. For the Cash App segment,  
the 1Q20 Letter stated that Block achieved 197% year-over-year revenue growth to \$528 million  
and 115% year-over-year gross profit growth to \$183 million. The 1Q20 Letter also stated that,  
in April, “Cash App delivered strong revenue and gross profit growth year over year, and achieved  
its highest monthly totals for net-new transacting active customers, peer-to-peer volumes, Cash



1 Card spend, Cash Card orders, direct deposit transacting active customers, bitcoin volumes, stock  
2 brokerage volumes, and stored funds.”

3 25. Also on May 6, 2020, Block filed with the SEC a quarterly report on Form 10-Q  
4 for its first fiscal quarter ended March 31, 2020, which was signed by defendants Dorsey and Ahuja  
5 who also certified that the report was materially complete, accurate, and free from fraud. The  
6 Form 10-Q included the financial and operating information about Block contained in the 1Q20  
7 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance program  
8 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q stated  
9 that Block and its employees “vet and monitor [the Company’s] customers and the payments  
10 transactions we process for them as part of our risk management efforts.”

11 26. On August 4, 2020, Block issued a shareholder letter for the Company’s second  
12 fiscal quarter ended June 30, 2020 signed by defendants Dorsey and Ahuja (“2Q20 Letter”). For  
13 the quarter, the 2Q20 Letter stated that Block achieved 64% year-over-year total net revenue  
14 growth to \$1.92 billion and 28% year-over-year gross profit growth to \$597 million. For the  
15 Square segment, the 2Q20 Letter stated that Block had quarterly revenue of \$723 million and gross  
16 profit of \$316 million, with both metrics negatively impacted by the onset of the COVID-19  
17 pandemic. For the Cash App segment, the 2Q20 Letter stated that Block achieved 361% year-  
18 over-year revenue growth to \$1.2 billion and 167% year-over-year gross profit growth to \$281  
19 million. The 2Q20 Letter also stated that, in June, “Cash App had more than 30 million monthly  
20 transacting active customers, with more than 7 million spending on Cash Card.”

21 27. On August 5, 2020, Block filed with the SEC a quarterly report on Form 10-Q for  
22 its second fiscal quarter ended June 30, 2020, which was signed by defendants Dorsey and Ahuja  
23 who also certified that the report was materially complete, accurate, and free from fraud. The  
24 Form 10-Q included the financial and operating information about Block contained in the 2Q20  
25 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance program  
26 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q stated  
27 that Block and its employees “vet and monitor [the Company’s] customers and the payments  
28 transactions we process for them as part of our risk management efforts.”

1           28.     On November 5, 2020, Block issued a shareholder letter for the Company’s third  
2 fiscal quarter ended September 30, 2020 signed by defendants Dorsey and Ahuja (“3Q20 Letter”).  
3 For the quarter, the 3Q20 Letter stated that Block achieved 140% year-over-year total net revenue  
4 growth to \$3.03 billion and 59% year-over-year gross profit growth to \$794 million. For the  
5 Square segment, the 3Q20 Letter stated that Block achieved 5% year-over-year revenue growth to  
6 \$965 million and 12% year-over-year gross profit growth to \$409 million. For the Cash App  
7 segment, the 3Q20 Letter stated that Block achieved 574% year-over-year revenue growth to \$2.07  
8 billion and 212% year-over-year gross profit growth to \$385 million. The 3Q20 Letter also stated  
9 that, in the third quarter of 2020, “the number of average daily transacting active Cash App  
10 customers nearly doubled from the same period last year.”

11           29.     Also on November 5, 2020, Block filed with the SEC a quarterly report on Form  
12 10-Q for its third fiscal quarter ended September 30, 2020, which was signed by defendants Dorsey  
13 and Ahuja who also certified that the report was materially complete, accurate, and free from fraud.  
14 The Form 10-Q included the financial and operating information about Block contained in the  
15 3Q20 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance  
16 program focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q  
17 stated that Block and its employees “vet and monitor [the Company’s] customers and the  
18 transactions we process for them as part of our risk management efforts.”

19           30.     On January 4, 2021, Block issued a press release signed by defendant Dorsey  
20 opposing regulations proposed by the U.S. Department of the Treasury’s Financial Crimes  
21 Enforcement Network (“FinCEN”) to enhance KYC and due diligence requirements for the  
22 processing of cryptocurrency transactions. The lengthy release claimed that one of Block’s “core  
23 principles” was “that people should have the ability to participate in financial systems easily and  
24 equitably.” As a result, the release claimed that Square had “invested substantially in the health  
25 of its ecosystem from a product, leadership, innovation, and legal perspective” rendering the  
26 proposed rules “unnecessary.” The release further claimed that the proposed rules would actually  
27 increase the risk of illicit activities and that “private sector solutions and companies” such as those  
28 offered by Block were better at mitigating risks. The release continued: “Flexible, risk-based

1 regulation allows compliance programs to be more comprehensive and actually mitigate risk using  
2 tools that are compatible with blockchain technology” and gave the example of Square that was  
3 purportedly “able to use data that is available through blockchain analysis to identify signals of  
4 unlawful activity.” According to the release, Block’s efforts and coordination with regulators had  
5 “prove[n] extraordinarily effective in identifying and stopping illicit activities.”

6 31. On February 23, 2021, Block issued a shareholder letter for the Company’s fourth  
7 fiscal quarter and year ended December 31, 2020 signed by defendants Dorsey and Ahuja (“FY20  
8 Letter”). For the fourth quarter, the FY20 Letter stated that Block achieved 141% year-over-year  
9 total net revenue growth to \$3.16 billion and 52% year-over-year gross profit growth to \$804  
10 million. For the year, the FY20 Letter stated that Block achieved 101% year-over-year total net  
11 revenue growth to \$9.5 billion and 45% year-over-year gross profit growth to \$2.73 billion. For  
12 the Square segment, the FY20 Letter stated that Block achieved 5% year-over-year revenue growth  
13 to \$987 million and 13% year-over-year gross profit growth to \$427 million in the fourth quarter.  
14 For the Cash App segment, the FY20 Letter stated that Block achieved 502% year-over-year  
15 revenue growth to \$2.17 billion and 162% year-over-year gross profit growth to \$377 million in  
16 the fourth quarter. The FY20 Letter also stated that “Cash App continued to drive strong  
17 acquisition of new customers and retain its existing base: In December, Cash App had more than  
18 36 million monthly transacting active customers, up more than 50% year over year.”

19 32. Also on February 23, 2021, Block filed with the SEC an annual report on Form 10-  
20 K for its fiscal year ended December 31, 2020, which was signed by defendants Dorsey and Ahuja  
21 who also certified that the report was materially complete, accurate, and free from fraud. The  
22 Form 10-K included the financial and operating information about Block contained in the FY20  
23 Letter. In addition, the Form 10-K highlighted that Block had put in place a “compliance program  
24 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-K stated  
25 that Block and its employees “vet and monitor [the Company’s] customers and the transactions we  
26 process for them as part of our risk management efforts.” In particular, the Form 10-K represented  
27 that the Company had implemented an effective AML program designed to prevent money  
28 laundering, terrorist financing, and other illicit activity, stating in pertinent part as follows:

1 We are subject to anti-money laundering (AML) laws and regulations in the  
2 United States and other jurisdictions. *We have implemented an AML program*  
3 *designed to prevent our payments network from being used to facilitate money*  
4 *laundering, terrorist financing, and other illicit activity. Our program is also*  
5 *designed to prevent our network from being used to facilitate business in*  
6 *countries, or with persons or entities, included on designated lists promulgated*  
7 *by the U.S. Department of the Treasury’s Office of Foreign Assets Controls and*  
8 *equivalent applicable foreign authorities. Our AML compliance program*  
9 *includes policies, procedures, reporting protocols, and internal controls,*  
10 *including the designation of an AML compliance officer, and is designed to*  
11 *address these legal and regulatory requirements and to assist in managing risk*  
12 *associated with money laundering and terrorist financing.*

13 33. On May 6, 2021, Block issued a shareholder letter for the Company’s first fiscal  
14 quarter ended March 31, 2021 signed by defendants Dorsey and Ahuja (“1Q21 Letter”). For the  
15 quarter, the 1Q21 Letter stated that Block achieved 266% year-over-year total net revenue growth  
16 to \$5.06 billion and 79% year-over-year gross profit growth to \$964 million. For the Square  
17 segment, the 1Q21 Letter stated that Block achieved 19% year-over-year revenue growth to \$1.02  
18 billion and 32% year-over-year gross profit growth to \$468 million. For the Cash App segment,  
19 the 1Q21 Letter stated that Block achieved 666% year-over-year revenue growth to \$4.04 billion  
20 and 171% year-over-year gross profit growth to \$495 million. The 1Q21 Letter also stated: “We  
21 continued to drive acquisition of net-new transacting active Cash App customers as well as  
22 engagement with Cash Card, Boost, direct deposit, stock brokerage, bitcoin investing, and business  
23 accounts.”

24 34. Also on May 6, 2021, Block filed with the SEC a quarterly report on Form 10-Q  
25 for its first fiscal quarter ended March 31, 2021, which was signed by defendants Dorsey and Ahuja  
26 who also certified that the report was materially complete, accurate, and free from fraud. The  
27 Form 10-Q included the financial and operating information about Block contained in the 1Q21  
28 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance program  
focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q stated  
that Block and its employees “vet and monitor [the Company’s] customers and the transactions we  
process for them as part of our risk management efforts.”

35. On August 1, 2021, Block issued a shareholder letter for the Company’s second  
fiscal quarter ended June 30, 2021 signed by defendants Dorsey and Ahuja (“2Q21 Letter”). For

1 the quarter, the 2Q21 Letter stated that Block achieved 143% year-over-year total net revenue  
2 growth to \$4.68 billion and 91% year-over-year gross profit growth to \$1.14 billion. For the  
3 Square segment, the 2Q21 Letter stated that Block achieved 81% year-over-year revenue growth  
4 to \$1.31 billion and 85% year-over-year gross profit growth to \$585 million. For the Cash App  
5 segment, the 2Q21 Letter stated that Block achieved 177% year-over-year revenue growth to \$3.33  
6 billion and 94% year-over-year gross profit growth to \$546 million. The 2Q21 Letter also stated  
7 that, in the second quarter, “volume sent through Cash App’s network increased by nearly 4x  
8 compared to two years ago, driven by growth in existing customers and newer customers  
9 transacting more frequently.”

10 36. On August 2, 2021, Block filed with the SEC a quarterly report on Form 10-Q for  
11 its second fiscal quarter ended June 30, 2021, which was signed by defendants Dorsey and Ahuja  
12 who also certified that the report was materially complete, accurate, and free from fraud. The  
13 Form 10-Q included the financial and operating information about Block contained in the 2Q21  
14 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance program  
15 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q stated  
16 that Block and its employees “vet and monitor [the Company’s] customers and the transactions we  
17 process for them as part of our risk management efforts.”

18 37. On November 4, 2021, Block issued a shareholder letter for the Company’s third  
19 fiscal quarter ended September 30, 2021 signed by defendants Dorsey and Ahuja (“3Q21 Letter”).  
20 For the quarter, the 3Q21 Letter stated that Block achieved 27% year-over-year total net revenue  
21 growth to \$3.84 billion and 43% year-over-year gross profit growth to \$1.13 billion. For the  
22 Square segment, the 3Q21 Letter stated that Block achieved 44% year-over-year revenue growth  
23 to \$1.39 billion and 48% year-over-year gross profit growth to \$606 million. For the Cash App  
24 segment, the 3Q21 Letter stated that Block achieved 16% year-over-year revenue growth to \$2.39  
25 billion and 33% year-over-year gross profit growth to \$512 million. The 3Q21 Letter also stated:  
26 “In October, we expect Cash App to deliver strong gross profit growth year over year and on a  
27 two-year CAGR basis driven by growth in monthly actives, engagement across our ecosystem,  
28 and inflows into Cash App.”

1 38. Also on November 4, 2021, Block filed with the SEC a quarterly report on Form  
2 10-Q for its third fiscal quarter ended September 30, 2021, which was signed by defendants Dorsey  
3 and Ahuja who also certified that the report was materially complete, accurate, and free from fraud.  
4 The Form 10-Q included the financial and operating information about Block contained in the  
5 3Q21 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance  
6 program focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q  
7 stated that Block and its employees “vet and monitor [the Company’s] customers and the  
8 transactions we process for them as part of our risk management efforts.”

9 39. On February 24, 2022, Block issued a shareholder letter for the Company’s fourth  
10 fiscal quarter and year ended December 31, 2021 signed by defendants Dorsey and Ahuja (“FY21  
11 Letter”). For the fourth quarter, the FY21 Letter stated that Block achieved 29% year-over-year  
12 total net revenue growth to \$4.08 billion and 47% year-over-year gross profit growth to \$1.18  
13 billion. For the year, the FY21 Letter stated that Block achieved 86% year-over-year total net  
14 revenue growth to \$17.66 billion and 62% year-over-year gross profit growth to \$4.42 billion. For  
15 the Square segment, the FY21 Letter stated that Block achieved 49% year-over-year revenue  
16 growth to \$1.47 billion and 54% year-over-year gross profit growth to \$657 million in the fourth  
17 quarter. For the Cash App segment, the FY21 Letter stated that Block achieved 18% year-over-  
18 year revenue growth to \$2.55 billion and 37% year-over-year gross profit growth to \$518 million  
19 in the fourth quarter. The FY21 Letter also stated: “We drove growth in net new transacting actives  
20 and strong engagement across products in our Cash App ecosystem.”

21 40. That same day, Block held a conference call to discuss the Company’s fourth fiscal  
22 quarter of 2021 hosted by defendants Dorsey and Ahuja. In response to an analyst question,  
23 defendant Dorsey claimed that Block was focused on preventing fraud on Cash App, stating in  
24 pertinent part as follows:

25 *Well, I’ll say that I think our biggest constraint right now is just how we*  
26 *think about building Cash App’s risk and compliance efforts, everything that we*  
27 *see around fraud.* We want to make sure that we are building a system that is  
28 scalable, that allows for limits for customers who might have more resources at  
their disposal and want to use Cash App for more and more things such as – as they  
would treat their normal bank.



1            *So we have limits in place to manage all these things, and a big goal for*  
2            *us is to make sure that we're looking for opportunities to increase those and to,*  
3            *at the same time, maintain all of the risk controls and fraud and continue to do*  
4            *what we've done so well over the years. And not just on the Cash App side, but*  
5            *on the Square side, keep it in our business forever.*

6            41. Also on February 24, 2022, Block filed with the SEC an annual report on Form 10-  
7            K for its fiscal year ended December 31, 2021, which was signed by defendants Dorsey and Ahuja  
8            who also certified that the report was materially complete, accurate, and free from fraud. The  
9            Form 10-K included the financial and operating information about Block contained in the FY21  
10           Letter. In addition, the Form 10-K highlighted that Block had put in place a “compliance program  
11           focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-K stated  
12           that Block and its employees “vet and monitor [the Company’s] customers and the transactions we  
13           process for them as part of our risk management efforts.” In particular, the Form 10-K represented  
14           that the Company had implemented an effective AML program designed to prevent money  
15           laundering, terrorist financing, and other illicit activity, stating in pertinent part as follows:

16                            We are subject to anti-money laundering (“AML”) laws and regulations in  
17                            the United States and other jurisdictions. *We have implemented an AML program*  
18                            *designed to prevent our payments network from being used to facilitate money*  
19                            *laundering, terrorist financing, and other illicit activity. Our program is also*  
20                            *designed to prevent our network from being used to facilitate business in*  
21                            *countries, or with persons or entities, included on designated lists promulgated*  
22                            *by the U.S. Department of the Treasury’s Office of Foreign Assets Controls and*  
23                            *equivalent applicable foreign authorities. Our AML compliance program*  
24                            *includes policies, procedures, reporting protocols, and internal controls,*  
25                            *including the designation of an AML compliance officer, and is designed to*  
26                            *address these legal and regulatory requirements and to assist in managing risk*  
27                            *associated with money laundering and terrorist financing.*

28            42. On May 5, 2022, Block issued a shareholder letter for the Company’s first fiscal  
29            quarter ended March 31, 2022 signed by defendants Dorsey and Ahuja (“1Q22 Letter”). For the  
30            quarter, the 1Q22 Letter stated that Block achieved total net revenue of \$3.96 billion, which was  
31            down 22% year over year due to a decrease in bitcoin revenue, and gross profit growth of 34% to  
32            \$1.29 billion. For the Square segment, the 1Q22 Letter stated that Block achieved 42% year-over-  
33            year revenue growth to \$1.44 billion and 41% year-over-year gross profit growth to \$661 million.  
34            For the Cash App segment, the 1Q22 Letter stated that Block achieved revenue of \$2.46 billion  
35            and gross profit growth of 26% to \$624 million. The 1Q22 Letter also stated: “We are focused on



1 expanding our customers' awareness and access to bitcoin, which has allowed us to drive  
2 meaningful adoption: As of the end of the first quarter, more than 10 million Cash App accounts  
3 have bought bitcoin since the product was introduced.”

4 43. Also on May 5, 2022, Block filed with the SEC a quarterly report on Form 10-Q  
5 for its first fiscal quarter ended March 31, 2022, which was signed by defendants Dorsey and Ahuja  
6 who also certified that the report was materially complete, accurate, and free from fraud. The  
7 Form 10-Q included the financial and operating information about Block contained in the 1Q22  
8 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance program  
9 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q stated  
10 that Block and its employees “vet and monitor [the Company’s] customers and the transactions we  
11 process for them as part of our risk management efforts.”

12 44. On August 4, 2022, Block issued a shareholder letter for the Company’s second  
13 fiscal quarter ended June 30, 2022 signed by defendants Dorsey and Ahuja (“2Q22 Letter”). For  
14 the quarter, the 2Q22 Letter stated that Block achieved total net revenue of \$4.4 billion, which was  
15 down 6% year over year due to a decrease in bitcoin revenue, and gross profit growth of 29% to  
16 \$1.47 billion. For the Square segment, the 2Q22 Letter stated that Block achieved 32% year-over-  
17 year revenue growth to \$1.73 billion and 29% year-over-year gross profit growth to \$755 million.  
18 For the Cash App segment, the 2Q22 Letter stated that Block achieved revenue of \$2.62 billion  
19 and gross profit growth of 29% to \$705 million. The 2Q22 Letter also stated: “We drove growth  
20 in net new transacting actives and strong engagement across products in our Cash App ecosystem,  
21 such that overall inflows grew quarter over quarter and year over year.”

22 45. Also on August 4, 2022, Block filed with the SEC a quarterly report on Form 10-  
23 Q for its second fiscal quarter ended June 30, 2022, which was signed by defendants Dorsey and  
24 Ahuja who also certified that the report was materially complete, accurate, and free from fraud.  
25 The Form 10-Q included the financial and operating information about Block contained in the  
26 2Q22 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance  
27 program focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q  
28

1 stated that Block and its employees “vet and monitor [the Company’s] customers and the  
2 transactions we process for them as part of our risk management efforts.”

3 46. On November 3, 2022, Block issued a shareholder letter for the Company’s third  
4 fiscal quarter ended September 30, 2022 signed by defendants Dorsey and Ahuja (“3Q22 Letter”).  
5 For the quarter, the 3Q22 Letter stated that Block achieved 17% year-over-year total net revenue  
6 growth to \$4.52 billion and 38% year-over-year gross profit growth to \$1.57 billion. For the  
7 Square segment, the 3Q22 Letter stated that Block achieved 27% year-over-year revenue growth  
8 to \$1.77 billion and 29% year-over-year gross profit growth to \$783 million. For the Cash App  
9 segment, the 3Q22 Letter stated that Block achieved 12% year-over-year revenue growth to \$2.68  
10 billion and 51% year-over-year gross profit growth to \$774 million. The 3Q22 Letter also stated:  
11 “We drove growth in net new transacting actives and strong engagement across products in our  
12 Cash App ecosystem.”

13 47. Also on November 3, 2022, Block filed with the SEC a quarterly report on Form  
14 10-Q with the SEC for its third fiscal quarter ended September 30, 2022, which was signed by  
15 defendants Dorsey and Ahuja who also certified that the report was materially complete, accurate,  
16 and free from fraud. The Form 10-Q included the financial and operating information about Block  
17 contained in the 3Q22 Letter. In addition, the Form 10-Q highlighted that Block had put in place  
18 a “compliance program focused on the laws, rules, and regulations applicable to [its] business.”  
19 The Form 10-Q stated that Block and its employees “vet and monitor [the Company’s] customers  
20 and the transactions we process for them as part of our risk management efforts.”

21 48. On February 23, 2023, Block issued a shareholder letter for the Company’s fourth  
22 fiscal quarter and year ended December 31, 2022 signed by defendants Dorsey and Ahuja (“FY22  
23 Letter”). For the fourth quarter, the FY22 Letter stated that Block achieved 14% year-over-year  
24 total net revenue growth to \$4.65 billion and 40% year-over-year gross profit growth to \$1.66  
25 billion. For the year, the FY22 Letter stated that Block achieved \$17.53 billion in total net revenue  
26 and 36% year-over-year gross profit growth to \$5.99 billion. For the Square segment, the FY22  
27 Letter stated that Block achieved 19% year-over-year revenue growth to \$1.76 billion and 22%  
28 year-over-year gross profit growth to \$801 million in the fourth quarter. For the Cash App

1 segment, the FY22 Letter stated that Block achieved 12% year-over-year revenue growth to \$2.68  
2 billion and 64% year-over-year gross profit growth to \$848 million in the fourth quarter. The  
3 FY22 Letter also stated: “We ended the year with 51 million monthly transacting actives in  
4 December, with two out of three transacting each week on average.”

5 49. Also on February 23, 2023, Block filed with the SEC an annual report on Form 10-  
6 K for its fiscal year ended December 31, 2022, which was signed by defendants Dorsey and Ahuja  
7 who also certified that the report was materially complete, accurate, and free from fraud. The  
8 Form 10-K included the financial and operating information about Block contained in the FY22  
9 Letter. In addition, the Form 10-K highlighted that Block had put in place a “compliance program  
10 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-K stated  
11 that Block and its employees “vet and monitor [the Company’s] customers and the transactions we  
12 process for them as part of our risk management efforts.” In particular, the Form 10-K represented  
13 that the Company had implemented an effective AML program designed to prevent money  
14 laundering, terrorist financing, and other illicit activity, stating in pertinent part as follows:

15 We are subject to anti-money laundering (“AML”) laws and regulations in  
16 the United States and other jurisdictions. *We have implemented an AML program  
17 designed to prevent our payments network from being used to facilitate money  
18 laundering, terrorist financing, and other illicit activity. Our program is also  
19 designed to prevent our network from being used to facilitate business in  
20 countries, or with persons or entities, included on designated lists promulgated  
21 by the U.S. Department of the Treasury’s Office of Foreign Assets Controls and  
22 equivalent applicable foreign authorities. Our AML compliance program  
23 includes policies, procedures, reporting protocols, and internal controls,  
24 including the designation of an AML compliance officer, and is designed to  
25 address these legal and regulatory requirements and to assist in managing risk  
26 associated with money laundering and terrorist financing.*

27 50. The statements referenced in ¶¶22-49 above were each materially false and  
28 misleading when made because they misrepresented and failed to disclose the following adverse  
29 facts, which were known to defendants or recklessly disregarded by them as follows:

30 (a) that Block had engaged in widespread and years-long compliance lapses at  
31 Square and Cash App, including by failing to conduct basic due diligence regarding its customers’  
32 identities or the nature of customer transactions so as to prevent the platforms from being used for  
33 illegal or illicit activities;

1 (b) that Block had effectively created a haven for widespread illegal and illicit  
2 activities on its Square and Cash App platforms by imposing minimal obligations on customers  
3 seeking to open accounts, transact, and deposit or withdraw funds; encouraging the use of bitcoin;  
4 and pressuring the Company’s banking partners to forgo ordinary KYC due diligence activities;

5 (c) that thousands of transactions on Square and Cash App were made in  
6 connection with a wide variety of illegal and illicit activities, including, *inter alia*, money  
7 laundering, child sexual abuse, sex trafficking, drug trafficking, terrorism financing, contract  
8 killings, and illicit payments to entities and persons subject to economic sanctions;

9 (d) that Block allowed its customers to withdraw funds even after the accounts  
10 had been flagged for potentially illegal or illicit activities;

11 (e) that Block customers could open up multiple accounts using fake identities  
12 in order to engage in illegal or illicit activities;

13 (f) that Block’s senior leadership and the Board had failed to correct identified  
14 compliance deficiencies despite numerous red flags, internal employee reports of deficiencies, and  
15 customer complaints;

16 (g) that Block’s Cash App user metrics had been artificially inflated through  
17 the use of fake accounts and the ability of criminals and other bad actors to open multiple accounts;  
18 and

19 (h) that, as a result of (a)-(g) above, Block was subject to a material,  
20 undisclosed risk of its conduct being exposed, thereby exposing the Company to reputational harm,  
21 adverse regulatory actions, the loss of business activity, and adverse impacts to the Company’s  
22 operations and financial results.

23 51. On March 23, 2023, short-biased analyst firm Hindenburg Research published a  
24 damaging exposé on the Company titled: “Block: How Inflated User Metrics and ‘Frictionless’  
25 Fraud Facilitation Enabled Insiders To Cash Out Over \$1 Billion” (the “Hindenburg Report”).  
26 Claiming to have conducted a two-year investigation that included interviews with dozens of  
27 former Block employees, partners, and industry experts; an extensive review of regulatory and  
28 litigation records; and the receipt of materials pursuant to Freedom of Information Act and public

1 records requests, the Hindenburg Report detailed Block’s lax approach to compliance issues. The  
2 Hindenburg Report concluded that the “magic” of Block’s success had not been business  
3 innovation or its purported desire to serve legitimate unbanked communities, “but rather the  
4 company’s willingness to facilitate fraud against consumers and the government, avoid regulation,  
5 dress up predatory loans and fees as revolutionary technology, and mislead investors with inflated  
6 metrics.” The Hindenburg Report highlighted Block’s “Wild West” approach to compliance and  
7 efforts to effectively court criminal activity, making it “easy for bad actors to mass-create accounts  
8 for identity fraud and other scams, then extract stolen funds quickly.” Cash App was reportedly  
9 widely used for, *inter alia*, sex trafficking, drug trafficking, consumer scams, COVID-19 relief  
10 fraud, and even contract killing payments. Former employees reportedly described how Cash App  
11 systemically suppressed internal concerns and ignored user pleas and numerous red flags to allow  
12 criminal activity to proliferate and fraud to run rampant on the platform and claimed that the  
13 Company strategically disregarded AML rules. According to the Hindenburg Report: “Cash App’s  
14 embrace of non-compliance begins by making it easy for users to get on the platform, easy for  
15 them to get back on the platform if their accounts are closed, and easy to remain anonymous or  
16 operate under blatantly false identities.” The Hindenburg Report also stated that permitting illegal  
17 and illicit activities had allowed Block to artificially inflate its Cash App user metrics and  
18 artificially understate Cash App’s customer acquisition costs.

19 52. On this news, the price of Block Class A common stock fell from \$72.65 per share  
20 at market close on March 22, 2023, to \$61.88 per share at market close on March 23, 2023 – a  
21 decline of nearly 15% on unusually heavy trading volume of over 140 million shares traded – and  
22 continued to fall the next trading day. However, because defendants failed to disclose the full truth  
23 and continued to make material misrepresentations, the price of Block Class A common stock  
24 remained artificially inflated.

25 53. Within hours of the release of the Hindenburg Report, on March 23, 2023, Block  
26 issued a press release disavowing the report’s allegations. The release described the Hindenburg  
27 Report as “factually inaccurate and misleading” and stated that the Company would be pursuing  
28 regulatory reprisals with the SEC against Hindenburg Research, stating in pertinent part as follows:

1 *We intend to work with the SEC and explore legal action against Hindenburg*  
2 *Research for the factually inaccurate and misleading report they shared about*  
3 *our Cash App business today.*

4 Hindenburg is known for these types of attacks, which are designed solely  
5 to allow short sellers to profit from a declined stock price. *We have reviewed the*  
6 *full report in the context of our own data and believe it's designed to deceive and*  
7 *confuse investors.*

8 *We are a highly regulated public company with regular disclosures, and*  
9 *are confident in our products, reporting, compliance programs, and controls will*  
10 *not be distracted by typical short seller tactics.*

11 54. On May 4, 2023, Block issued a shareholder letter for the Company's first fiscal  
12 quarter ended March 31, 2023 signed by defendants Dorsey and Ahuja ("1Q23 Letter"). For the  
13 quarter, the 1Q23 Letter stated that Block achieved 26% year-over-year total net revenue growth  
14 to \$4.99 billion and gross profit growth of 32% to \$1.71 billion. For the Square segment, the 1Q23  
15 Letter stated that Block achieved 15% year-over-year revenue growth to \$1.67 billion and 16%  
16 year-over-year gross profit growth to \$770 million. For the Cash App segment, the 1Q23 Letter  
17 stated that Block achieved 33% year-over-year revenue growth to \$3.27 billion and 49% year-  
18 over-year gross profit growth to \$931 million. The 1Q23 Letter also stated: "We drove growth in  
19 net new transacting actives and strong engagement across products in our Cash App ecosystem."

20 55. That same day, Block held a conference call to discuss the Company's first fiscal  
21 quarter of 2023 hosted by defendants Dorsey and Ahuja. The first question by an analyst was  
22 about the Hindenburg Report. In response, defendant Dorsey denied the allegations in the  
23 Hindenburg Report and stated: "I would say that we stand by our response to the shareholder  
24 report. . . . [Our] regulators trust us as well. So this is a significant focus for us and always has  
25 been." Defendant Ahuja provided additional detail, claiming that Block maintained a robust  
26 culture of compliance and stating in pertinent part as follows:

27 Block operates a business that is highly regulated, and our goal is ultimately to  
28 expand access to the economy through intuitive financial products. In order to do  
that, *we must maintain a culture of compliance and responsible risk*  
*management, including through investment in programs, processes, controls and*  
*teams with deep compliance expertise, prioritizing compliance ultimately helps*  
*us drive trust to their customers with regulators and external partners, and that*  
*enables us to then develop innovative products responsibly. We have significantly*  
*grown our investment in compliance over the last few years.*

1           56.     Also on May 4, 2023, Block filed with the SEC a quarterly report on Form 10-Q  
2 for its first fiscal quarter ended March 31, 2023, which was signed by defendants Dorsey and Ahuja  
3 who also certified that the report was materially complete, accurate, and free from fraud. The  
4 Form 10-Q included the financial and operating information about Block contained in the 1Q23  
5 Letter. In addition, the Form 10-Q highlighted that Block had put in place a “compliance program  
6 focused on the laws, rules, and regulations applicable to [its] business.” The Form 10-Q stated  
7 that Block and its employees “vet and monitor [the Company’s] customers and the transactions we  
8 process for them as part of our risk management efforts.”

9           57.     On August 3, 2023, Block issued a shareholder letter for the Company’s second  
10 fiscal quarter ended June 30, 2023 signed by defendants Dorsey and Ahuja (“2Q23 Letter”). For  
11 the quarter, the 2Q23 Letter stated that Block achieved 26% year-over-year total net revenue  
12 growth to \$5.53 billion and gross profit growth of 27% to \$1.87 billion. For the Square segment,  
13 the 2Q23 Letter stated that Block achieved 12% year-over-year revenue growth to \$1.93 billion  
14 and 18% year-over-year gross profit growth to \$888 million. For the Cash App segment, the 2Q23  
15 Letter stated that Block achieved 36% year-over-year revenue growth to \$3.56 billion and 37%  
16 year-over-year gross profit growth to \$968 million. The 2Q23 Letter also stated: “We drove  
17 growth in net new transacting actives and strong engagement across products in our Cash App  
18 ecosystem.”

19           58.     Also on August 3, 2023, Block filed with the SEC a quarterly report on Form 10-  
20 Q for its second fiscal quarter ended June 30, 2023 (the “2Q23 Form 10-Q”), which was signed by  
21 defendants Dorsey and Ahuja who also certified that the report was materially complete, accurate,  
22 and free from fraud. The 2Q23 Form 10-Q included the financial and operating information about  
23 Block contained in the 2Q23 Letter. In addition, the 2Q23 Form 10-Q highlighted that Block had  
24 put in place a “compliance program focused on the laws, rules, regulations, and standards  
25 applicable to [its] business.” The 2Q23 Form 10-Q stated that Block and its employees “vet and  
26 monitor [the Company’s] customers and the transactions we process for them as part of our risk  
27 management efforts.”

28



1           59.     The 2Q23 Form 10-Q also revealed that the SEC and the U.S. Department of Justice  
2 were investigating the allegations against Block and its employees contained in the Hindenburg  
3 Report, despite defendants' prior claims that the SEC should investigate Hindenburg Research for  
4 purportedly misleading Block investors.

5           60.     On this news, the price of Block Class A common stock fell from \$73.55 per share  
6 at market close on August 3, 2023, to \$63.52 per share at market close on August 4, 2023, a decline  
7 of nearly 14% on unusually heavy trading volume of over 33 million shares traded. However,  
8 because defendants failed to disclose the full truth and continued to make material  
9 misrepresentations, the price of Block Class A common stock remained artificially inflated.

10           61.     On November 2, 2023, Block issued a shareholder letter for the Company's third  
11 fiscal quarter ended September 30, 2023 signed by defendants Dorsey and Ahuja ("3Q23 Letter").  
12 For the quarter, the 3Q23 Letter stated that Block achieved 24% year-over-year total net revenue  
13 growth to \$5.62 billion and 21% year-over-year gross profit growth to \$1.9 billion. For the Square  
14 segment, the 3Q23 Letter stated that Block achieved 12% year-over-year revenue growth to \$1.98  
15 billion and 15% year-over-year gross profit growth to \$899 million. For the Cash App segment,  
16 the 3Q23 Letter stated that Block achieved 34% year-over-year revenue growth to \$3.58 billion  
17 and 27% year-over-year gross profit growth to \$984 million. The 3Q23 Letter also stated that, in  
18 September, "Cash App had 55 million monthly transacting actives, up 11% year over year."

19           62.     Also on November 2, 2023, Block filed with the SEC a quarterly report on Form  
20 10-Q for its third fiscal quarter ended September 30, 2023, which was signed by defendants Dorsey  
21 and Ahuja who also certified that the report was materially complete, accurate, and free from fraud.  
22 The Form 10-Q included the financial and operating information about Block contained in the  
23 3Q23 Letter. In addition, the Form 10-Q highlighted that Block had put in place a "compliance  
24 program focused on the laws, rules, regulations, and standards applicable to [its] business." The  
25 Form 10-Q stated that Block and its employees "vet and monitor [the Company's] customers and  
26 the transactions we process for them as part of our risk management efforts."

27  
28

1           63. The statements referenced in ¶¶53-58 and 61-62 above were each materially false  
2 and misleading when made because they misrepresented and failed to disclose the following  
3 adverse facts, which were known to defendants or recklessly disregarded by them as follows:

4           (a) that Block had engaged in widespread and years-long compliance lapses at  
5 both Square and Cash App, including by failing to conduct basic due diligence regarding its  
6 customers' identities or the nature of customer transactions so as to prevent the platforms from  
7 being used for illegal or illicit activities;

8           (b) that Block had effectively created a haven for widespread illegal and illicit  
9 activities on its Square and Cash App platforms by imposing minimal obligations on customers  
10 seeking to open accounts, transact, and deposit or withdraw funds; encouraging the use of bitcoin;  
11 and pressuring the Company's banking partners to forgo ordinary KYC due diligence activities;

12           (c) that thousands of transactions on Square and Cash App were made in  
13 connection with a wide variety of illegal and illicit activities, including, *inter alia*, money  
14 laundering, child sexual abuse, sex trafficking, drug trafficking, terrorism financing, contract  
15 killings, and illicit payments to entities and persons subject to economic sanctions;

16           (d) that Block allowed its customers to withdraw funds even after the accounts  
17 had been flagged for potentially illegal or illicit activities;

18           (e) that Block customers could open up multiple accounts using fake identities  
19 in order to engage in illegal or illicit activities;

20           (f) that Block's senior leadership and the Board had failed to correct identified  
21 compliance deficiencies despite numerous red flags, internal employee reports of deficiencies, and  
22 customer complaints;

23           (g) that Block's Cash App user metrics had been artificially inflated through  
24 the use of fake accounts and the ability of criminals and other bad actors to open multiple accounts;

25           (h) that defendants' prior denials of the allegations contained in the Hindenburg  
26 Report were materially false and misleading; and

27           (i) that, as a result of (a)-(h) above, Block was subject to a material,  
28 undisclosed risk of its conduct being exposed, thereby exposing the Company to reputational harm,

1 adverse regulatory actions, the loss of business activity, and adverse impacts to the Company's  
2 operations and financial results.

3 64. On February 16, 2024, *NBC News* reported that federal regulators were probing  
4 allegations by two whistleblowers that Cash App performed inadequate due diligence on its users –  
5 including “no effective procedure to establish the[ir] identity” – opening the door to potential  
6 money laundering, terrorism financing, and other illegal and illicit activities. The whistleblowers  
7 detailed Cash App transactions with entities under sanction by the U.S. Department of the  
8 Treasury's Office of Foreign Assets Control, operations known to sell personal information and  
9 credit card data for illegal purposes, and offshore gambling sites barred to U.S. citizens. The  
10 whistleblowers reportedly had filed complaints with the FinCEN, the SEC, and the Commodity  
11 Futures Trading Commission. The whistleblowers described Block as operating “*a shadow*  
12 *financial system beyond the reach of regulators.*” According to the report, Cash App had  
13 pressured its banking partners to forgo traditional due diligence and KYC steps with the express  
14 purpose of easing the process of account opening in order to generate revenues for Block. In  
15 addition, the Company reportedly siloed parts of the transactions on Cash App from its banking  
16 partners, which prevented those partners from evaluating the entire nature of a transaction and thus  
17 impaired their ability to identify illegal or illicit activities. The report described Block's 2018  
18 decision to allow bitcoin transactions on its platforms as opening the Company's flawed customer  
19 due diligence to terrorist financing worldwide. The whistleblowers further described a vibrant  
20 market for opened Cash App accounts on the black market that reportedly allowed criminals to  
21 avoid even the minimum due diligence involved in setting up a new account.

22 65. On this news, the price of Block Class A common stock fell from \$69.48 per share  
23 at market close on February 15, 2024, to \$65.64 per share at market close on February 16, 2024 –  
24 a decline of over 5% on unusually heavy trading volume of over 12 million shares traded.  
25 However, because defendants failed to disclose the full truth and continued to make material  
26 misrepresentations, the price of Block Class A common stock remained artificially inflated.

27 66. Then, on May 1, 2024, *NBC News* reported that federal prosecutors were  
28 investigating Block due to allegations by a former employee that the Company had engaged in

1 widespread and years-long compliance lapses at its two main units, Square and Cash App.  
2 Reportedly, the employee had provided prosecutors with internal Company documents  
3 demonstrating that Block had failed to conduct basic due diligence on its customers, that Square  
4 had processed thousands of transactions involving countries subject to economic sanctions  
5 (including Cuba, Iran, Russia, and Venezuela), and that Block had processed multiple  
6 cryptocurrency transactions for terrorist groups. The Company also reportedly failed to properly  
7 report transactions to U.S. regulatory authorities, and failed to correct compliance deficiencies  
8 even after being alerted to the breaches. Reportedly, documents turned over by the whistleblower  
9 showed that these violations were known by both the senior management of the Company and the  
10 Board. According to this former employee: “*From the ground up, everything in the compliance*  
11 *section was flawed . . . . It is led by people who should not be in charge of a regulated compliance*  
12 *program*” – a sentiment reportedly shared by a second person with knowledge of Block’s  
13 monitoring programs and practices. The article also described woefully deficient compliance  
14 practices, such as allowing customers subject to a sanctions alert to withdraw funds before the alert  
15 review was complete or failing to screen against sanctions keyword lists. In addition, the employee  
16 rejected Block’s contention that it had voluntarily reported thousands of suspicious transactions,  
17 stating that Block had excluded thousands of other transactions that the Company had failed to  
18 report. The article also stated that Block had hired an outside consultant in 2023 who identified  
19 nearly 50 instances of deficiencies in the Company’s internal systems for monitoring suspicious  
20 activities. In addition, the former employee rejected Block’s contention that it had voluntarily  
21 reported thousands of suspicious transactions, stating that there were in fact thousands of other  
22 transactions that the Company had failed to report. Collectively, the two reports by *NBC News*  
23 corroborated the allegations contained in the Hindenburg Report and directly contradicted  
24 defendants’ prior denials.

25 67. On this news, the price of Block Class A common stock fell from \$73 per share at  
26 market close on April 30, 2024, to \$66.84 per share at market close on May 1, 2024 – a decline of  
27 over 8% on unusually heavy trading volume of over 22 million shares traded.

28

1 68. In Block's subsequent Form 10-Q quarterly report, filed on August 1, 2024, the  
2 Company stated that in July 2024 it had received a follow-on inquiry from the SEC regarding the  
3 Company's alleged compliance as described in the Hindenburg Report.

4 69. On January 15, 2025, a coalition of 48 state regulatory agencies announced that  
5 Block had agreed to pay \$80 million for violations of the Bank Secrecy Act and AML laws. The  
6 Company also agreed to correct ongoing deficiencies, submit to the review of an independent  
7 consultant regarding its compliance lapses, and submit a progress report to the states within nine  
8 months.

9 70. On January 16, 2025, the CFPB ordered Block to refund and pay other redress to  
10 consumers up to \$120 million and a penalty of \$55 million into the CFPB's victims relief fund.  
11 The CFPB found that Block employed weak security protocols for Cash App that put users at risk  
12 of fraud and then attempted to avoid its investigative obligations and attempted to use fine print to  
13 escape its legal requirements. When it did conduct investigations, the CFPB found that Block used  
14 intentionally shoddy investigation practices to close reports of unauthorized transactions in the  
15 Company's favor. According to the CFPB, Block also deprived Cash App users of meaningful  
16 and effective customer service and left the network vulnerable to criminals defrauding users.  
17 Consumers looking for an alternate route to Cash App customer service through web searches were  
18 targeted by fraudsters posing as Cash App representatives, who tricked them into giving up their  
19 passwords and other personal information. The CFPB found that Block knew that its customers  
20 were being targeted by fraudsters in this way but failed to take timely action to address the issue.  
21 In addition to monetary penalties, Block was also ordered to cure deficiencies in its customer  
22 service and support functions.

23 71. As a result of defendants' wrongful acts and omissions, and the subsequent declines  
24 in the market value of the Company's Class A common stock, plaintiff and other Class members  
25 suffered financial losses and economic damages under the federal securities laws.

#### 26 **ADDITIONAL SCIENTER ALLEGATIONS**

27 72. As alleged herein, defendants acted with scienter in that they knew or recklessly  
28 disregarded that the public documents and statements issued or disseminated in the name of the

1 Company were materially false and misleading and omitted material facts, knew or recklessly  
2 disregarded that such statements or documents would be issued or disseminated to the investing  
3 public, and knowingly or recklessly substantially participated or acquiesced in the issuance or  
4 dissemination of such statements or documents as primary violations of the federal securities laws.  
5 As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information  
6 reflecting the true facts regarding Block, their control over and/or receipt and/or modification of  
7 allegedly materially misleading misstatements, and/or their associations with the Company, which  
8 made them privy to confidential proprietary information concerning Block, participated in the  
9 fraudulent scheme alleged herein.

10 73. In addition, Block's widespread compliance failures involved the Company's two  
11 most important operating segments – Cash App and Square – which were closely followed by the  
12 Individual Defendants, who held themselves out to the investing public as the persons most  
13 knowledgeable about the Company's compliance framework in investor conference calls and  
14 through periodic SEC filings. Indeed, defendant Dorsey personally penned a letter opposing  
15 proposed FinCEN regulations in which he falsely and misleadingly represented that Block's  
16 compliance efforts were sufficient to prevent widespread criminal or illicit activities.  
17 Whistleblowers have also disclosed that Block's senior leadership were aware of the Company's  
18 compliance deficiencies and intentionally failed to correct them.

19 74. Furthermore, defendants had the motive and opportunity to commit fraud. During  
20 the Class Period, Block insiders sold over \$1.5 billion worth of Block Class A common stock at  
21 artificially inflated prices. Defendant Dorsey sold over \$618 million worth of Block stock at prices  
22 as high as \$279 per share, and defendant Ahuja sold nearly \$48 million worth of Block stock at  
23 prices as high as \$280 per share.

24 75. The numerous state and federal investigations and imposition of significant  
25 monetary penalties and other sanctions against Block further support a compelling inference of  
26 scienter.

27 76. Further contributing to an already-compelling inference of scienter, Block  
28 experienced numerous defections in its senior leadership during the Class Period. The exodus of

1 senior executives and Board members during the Class Period indicates that the Company was  
2 suffering from behind-the-scenes turmoil in its senior ranks, particularly with respect to the  
3 Company's legal and compliance infrastructure. Senior leadership departures from the Company  
4 during the Class Period included several members of the Board, Square's CEO, Square's Capital  
5 Lead, and the Company's Chief Legal Officer and Corporate Secretary.

#### 6 **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

7 77. Defendants are liable for: (i) making false statements; and/or (ii) failing to disclose  
8 adverse facts known to them about Block. Defendants' fraudulent scheme and course of business  
9 that operated as a fraud or deceit on purchasers of Block Class A common stock was a success, as  
10 it: (i) deceived the investing public regarding Block's prospects and business; (ii) artificially  
11 inflated the price of Block Class A common stock; and (iii) caused plaintiff and other members of  
12 the Class to purchase Block Class A common stock at artificially inflated prices and suffer  
13 damages when that artificial inflation was removed from the price of Block Class A common stock.

#### 14 **LOSS CAUSATION/ECONOMIC LOSS**

15 78. During the Class Period, as detailed herein, defendants engaged in a scheme to  
16 deceive the market and a course of conduct that artificially inflated the price of Block Class A  
17 common stock and operated as a fraud or deceit on Class Period purchasers of Block Class A  
18 common stock by failing to disclose and misrepresenting the adverse facts detailed herein. When  
19 defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent  
20 to the market, the price of Block Class A common stock fell precipitously as the prior artificial  
21 inflation came out of the stock's price. As a result of their purchases of Block Class A common  
22 stock during the Class Period, plaintiff and the other Class members suffered economic loss, *i.e.*,  
23 damages, under the federal securities laws when the truth about Block was revealed through the  
24 disclosures specified herein, which removed the artificial inflation from the price of Block Class  
25 A common stock.

26 79. By failing to disclose to investors the adverse facts detailed herein, defendants  
27 presented a misleading picture of Block's business and prospects. Defendants' false and  
28



1 misleading statements had the intended effect and caused Block Class A common stock to trade at  
2 artificially inflated levels throughout the Class Period.

3 80. As a direct result of the disclosures identified herein, the price of Block Class A  
4 common stock fell precipitously. This removed the artificial inflation from the price of Block  
5 Class A common stock, causing real economic loss to investors who had purchased Block Class  
6 A common stock at artificially inflated prices during the Class Period.

7 81. The price declines were a direct result of the nature and extent of defendants' fraud  
8 being revealed to investors and the market through partial disclosures. The timing and magnitude  
9 of the price declines in Block Class A common stock negate any inference that the losses suffered  
10 by plaintiff and the other Class members were caused by changed market conditions,  
11 macroeconomic or industry factors, or Company-specific facts unrelated to defendants' fraudulent  
12 conduct. The economic loss, *i.e.*, damages, suffered by plaintiff and the other Class members was  
13 a direct result of defendants' fraudulent scheme to artificially inflate the price of Block Class A  
14 common stock and the subsequent significant declines in the value of Block Class A common  
15 stock when defendants' prior misrepresentations and other fraudulent conduct were revealed.

16 **APPLICABILITY OF PRESUMPTION OF RELIANCE:**  
17 **FRAUD ON THE MARKET DOCTRINE**

18 82. At all relevant times, the market for Block Class A common stock was an efficient  
19 market for the following reasons, among others:

20 (a) Block Class A common stock met the requirements for listing and was listed  
21 and actively traded on the NYSE, a highly efficient and automated market;

22 (b) as a regulated issuer, Block filed periodic public reports with the SEC;

23 (c) Block regularly communicated with public investors via established market  
24 communication mechanisms, including the regular disseminations of press releases on the national  
25 circuits of major newswire services and other wide-ranging public disclosures, such as  
26 communications with the financial press and other similar reporting services; and

27 (d) Block was followed by several securities analysts employed by major  
28 brokerage firms who wrote reports that were distributed to the sales force and certain customers

1 of their respective brokerage firms. Each of these reports was publicly available and entered the  
2 public marketplace.

3 83. As a result of the foregoing, the market for Block Class A common stock promptly  
4 digested current information regarding Block from all publicly available sources and reflected such  
5 information in the price of the stock. Under these circumstances, all purchasers of Block Class A  
6 common stock during the Class Period suffered similar injury through their purchase of Block  
7 Class A common stock at artificially inflated prices and a presumption of reliance applies.

### 8 **NO SAFE HARBOR**

9 84. The “Safe Harbor” warnings accompanying Block’s reportedly forward-looking  
10 statements (“FLS”) issued during the Class Period were ineffective to shield those statements from  
11 liability. To the extent that projected revenues and earnings were included in the Company’s  
12 financial reports prepared in accordance with generally accepted accounting principles, including  
13 those filed with the SEC on Form 8-K, they are excluded from the protection of the statutory Safe  
14 Harbor. *See* 15 U.S.C. §78u-5(b)(2)(A).

15 85. Defendants are also liable for any false and misleading FLS pled because, at the  
16 time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was  
17 authorized and/or approved by an executive officer of Block who knew that the FLS was false. In  
18 addition, the FLS were contradicted by existing, undisclosed material facts that were required to  
19 be disclosed so that the FLS would not be misleading. Finally, most of the purported “Safe  
20 Harbor” warnings were themselves misleading because they warned of “risks” that had already  
21 materialized or failed to provide meaningful disclosures of the relevant risks.

### 22 **CLASS ACTION ALLEGATIONS**

23 86. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules  
24 of Civil Procedure on behalf of all purchasers of Block Class A common stock during the Class  
25 Period who were damaged thereby as alleged herein (the “Class”). Excluded from the Class are  
26 defendants and their immediate families, the officers, directors, and affiliates of defendants, at all  
27 relevant times, and their immediate families, and their legal representatives, heirs, successors, or  
28 assigns, and any entity in which defendants have or had a controlling interest.

1 87. The members of the Class are so numerous that joinder of all members is  
2 impracticable. The disposition of their claims in a class action will provide substantial benefits to  
3 the parties and the Court. Block Class A common stock trades on the NYSE and Block has  
4 millions of shares outstanding, owned by hundreds, if not thousands, of persons.

5 88. There is a well-defined community of interest in the questions of law and fact  
6 involved in this case. Questions of law and fact common to the members of the Class that  
7 predominate over questions that may affect individual Class members include:

- 8 (a) whether defendants violated the Exchange Act;
- 9 (b) whether statements made by defendants to the investing public omitted  
10 and/or misrepresented material facts about Block;
- 11 (c) whether defendants' statements omitted material facts necessary to make  
12 the statements made, in light of the circumstances under which they were made, not misleading;
- 13 (d) whether defendants knew or recklessly disregarded that their statements  
14 were false and misleading;
- 15 (e) whether the price of Block Class A common stock was artificially inflated;  
16 and
- 17 (f) the extent of damages sustained by Class members and the appropriate  
18 measure of damages.

19 89. Plaintiff's claims are typical of those of the Class because plaintiff and the Class  
20 sustained damages from defendants' wrongful conduct.

21 90. Plaintiff will adequately protect the interests of the Class and has retained counsel  
22 experienced in class action securities litigation. Plaintiff has no interests that conflict with those  
23 of the Class.

24 91. A class action is superior to other available methods for the fair and efficient  
25 adjudication of this controversy. There will be no difficulty in the management of this action as a  
26 class action.

COUNT I

**For Violations of §10(b) of the Exchange Act and Rule 10b-5  
Against All Defendants**

92. Plaintiff incorporates ¶¶1-91 by reference.

93. During the Class Period, Block and the Individual Defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

94. Block and the Individual Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

(a) employed devices, schemes, and artifices to defraud;

(b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Block Class A common stock during the Class Period.

95. In addition to the duties of full disclosure imposed on Block and the Individual Defendants as a result of their affirmative false and misleading statements to the public, they had a duty to promptly disseminate truthful information with respect to Block's operations and performance that would be material to investors in compliance with the integrated disclosure provisions of the SEC, so that the market price of the Company's stock would be based on truthful, complete, and accurate information. SEC Regulation S-X, 17 C.F.R. §210.1-01 *et seq.*; SEC Regulation S-K, 17 C.F.R. §229.10 *et seq.*

96. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the Class have suffered damages in connection with their respective purchases and sales of Block Class A common stock during the Class Period, because, in reliance on the integrity of the market,

1 they paid artificially inflated prices for Block Class A common stock and experienced losses when  
2 the artificial inflation was released from Block Class A common stock as a result of the partial  
3 revelations and price declines detailed herein. Plaintiff and the Class would not have purchased  
4 Block Class A common stock at the prices they paid, or at all, if they had been aware that the  
5 market prices had been artificially and falsely inflated by defendants' misleading statements.

6 97. By virtue of the foregoing, Block and the Individual Defendants have each violated  
7 §10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

8 **COUNT II**

9 **For Violations of §20(a) of the Exchange Act**  
10 **Against All Defendants**

11 98. Plaintiff incorporates ¶¶1-97 by reference.

12 99. Block and the Individual Defendants acted as controlling persons of Block within  
13 the meaning of §20(a) of the Exchange Act. By reason of their controlling positions with the  
14 Company, and their ownership of Block Class A common stock, the Individual Defendants had  
15 the power and authority to cause Block to engage in the wrongful conduct complained of herein.  
16 Block controlled the Individual Defendants and all of its employees. By reason of such conduct,  
17 Block and the Individual Defendants are liable pursuant to §20(a) of the Exchange Act.

18 **PRAYER FOR RELIEF**

19 WHEREFORE, plaintiff prays for judgment as follows:

20 A. Determining that this action is a proper class action, designating plaintiff as Lead  
21 Plaintiff, and certifying plaintiff as a Class representative and appointing plaintiff's counsel as  
22 Lead Counsel under Rule 23 of the Federal Rules of Civil Procedure;

23 B. Awarding compensatory damages in favor of plaintiff and the other Class members  
24 against all defendants, jointly and severally, for all damages sustained as a result of defendants'  
25 wrongdoing, in an amount to be proven at trial, including interest thereon;

26 C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in  
27 this action, including counsel fees and expert fees; and  
28

1 D. Awarding such equitable, injunctive, or other relief as deemed appropriate by the  
2 Court.

3 **JURY DEMAND**

4 Plaintiff demands a trial by jury.

5 DATED: January 17, 2025

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