

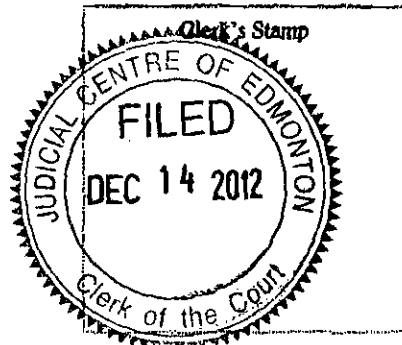
COURT FILE NUMBER 1203 18531

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

PLAINTIFF MACARONIES HAIR CLUB AND LASER CENTER INC., OPERATING AS FUZE SALON

DEFENDANTS BOFA CANADA BANK, BANK OF MONTREAL, BANK OF NOVA SCOTIA, CANADIAN IMPERIAL BANK OF COMMERCE, CAPITAL ONE BANK (CANADA BRANCH), CITIGROUP INC., FEDERATION DES CAISSES DESJARDINS DU QUEBEC, MASTERCARD INTERNATIONAL INCORPORATED, NATIONAL BANK OF CANADA INC., ROYAL BANK OF CANADA, TORONTO-DOMINION BANK and VISA CANADA CORPORATION



A Class Proceeding pursuant to the **Class Proceedings Act**, SA 2003, Chapter C-16.5

DOCUMENT STATEMENT OF CLAIM

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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NOTICE TO DEFENDANTS:

You are being sued. You are a Defendant.

Go to the end of this document to see what you can do and when you must do it.

Statement of facts relied on:

The Representative Plaintiff

1. The plaintiff, Macaronies Hair Club and Laser Center, Inc., is an Alberta company which at all material times operated as a hair salon in Calgary, Alberta under the name Fuze Salon ("Fuze"). Fuze accepted payments by Visa credit cards and MasterCard credit cards during the proposed Class Period (as defined in paragraph 15 below).

The Defendants

2. The defendant Visa Canada Corporation ("Visa") is a Nova Scotia incorporated company that is a subsidiary of Visa Inc., a publicly traded corporation under the laws of the State of Delaware, USA. During the Class Period, Visa operated the Visa credit card network throughout Canada, including Alberta.

3. The defendant MasterCard International Incorporated ("MasterCard") is incorporated under the laws of the State of Delaware, USA, and is a subsidiary of MasterCard Incorporated, a publicly traded corporation under the laws of the State of Delaware, USA. During the Class Period, MasterCard operated the MasterCard credit card network throughout Canada, including Alberta.

4. The defendant BofA Canada Bank ("MBNA") is an affiliate of Bank of America Corporation, a publicly traded corporation under the laws of the State of Delaware, USA. During the Class Period, MBNA issued MasterCard-branded credit cards throughout Canada, including Alberta. MBNA sold its Canadian credit card issuing business to the defendant Toronto-Dominion Bank ("TD") in or about

August 2011. In or about December 2011, MBNA changed its name from MBNA Canada to BofA Canada Bank.

5. The defendant Bank of Montreal ("BMO") is a chartered bank incorporated pursuant to the *Bank Act*, SC 1991 c 46 (the "*Bank Act*"). During the Class Period, BMO issued MasterCard-branded credit cards throughout Canada, including Alberta. During the Class Period, BMO was, along with the Royal Bank of Canada ("RBC"), one of the founding partners behind Moneris Solutions Inc. ("Moneris"), one of the leading Acquirers (as defined in paragraph 19 below) in Canada. Moneris was created in 2000 as a joint investment between BMO and RBC, which continue to be in partnership in Moneris.

6. The defendant Bank of Nova Scotia ("Scotiabank") is a chartered bank incorporated pursuant to the *Bank Act*. During the Class Period, Scotiabank issued Visa-branded credit cards throughout Canada, including Alberta.

7. The defendant Canadian Imperial Bank of Commerce ("CIBC") is a chartered bank incorporated pursuant to the *Bank Act*. During the Class Period, CIBC issued both Visa- and MasterCard-branded credit cards throughout Canada, including Alberta. During the Class Period, CIBC had a marketing alliance with Global Payments Inc. ("Global").

8. The defendant Capital One Bank (Canada Branch) ("Capital One") is a publicly traded corporation under the laws of the State of Delaware, USA. During the Class Period, Capital One issued MasterCard-branded credit cards throughout Canada, including Alberta.

9. The defendant Citigroup Inc. ("Citi") is a publicly traded corporation under the laws of the State of Delaware, USA. During the Class Period, Citi issued MasterCard-branded credit cards throughout Canada, including Alberta.

10. The defendant Fédération des caisses Desjardins du Québec ("Desjardins") is an organization overseeing the Desjardin Group, including its caisses populaires and credit unions. During the Class Period, Desjardins issued Visa- and MasterCard-branded credit cards throughout Canada, including Alberta. During the Class Period, Desjardins owned and operated Desjardins Payment Services, one of the leading Acquirers in Canada.

11. The defendant National Bank of Canada Inc. ("National") is a chartered bank incorporated pursuant to the *Bank Act*. During the Class Period, National issued MasterCard-branded credit cards throughout Canada, including Alberta. During the Class Period, National had a marketing alliance with Global.

12. The defendant RBC is a chartered bank incorporated pursuant to the *Bank Act*. During the Class Period, RBC issued both Visa and MasterCard-branded credit cards throughout Canada, including Alberta. During the Class Period, RBC was, along with BMO, one of the founding partners behind Moneris.

13. TD is a chartered bank incorporated pursuant to the *Bank Act*. During the Class Period, TD issued Visa- and MasterCard-branded credit cards throughout Canada, including Alberta. During the Class Period, TD owned and operated TD Merchant Services, one of the leading Acquirers in Canada. In or about August 2011, TD purchased MBNA's Canadian credit card issuing business.

14. Collectively, BMO, Capital One, Citi, Desjardins, CIBC, MBNA, National, RBC, Scotiabank, and TD are known as the "Defendant Banks".

The Classes and the Class Periods

15. This action is brought on behalf of members of a class (the "Visa Class Members") consisting of the plaintiff and all Alberta resident persons who, during some or all of the period commencing March 28, 2001 and continuing through to

the present (the "Class Period"), accepted payments for the supply of goods or services by way of Visa credit cards pursuant to the terms of merchant agreements, or such other class definition or class period as the Court may ultimately decide on the application for certification.

16. This action is also brought on behalf of members of a further class (the "MasterCard Class Members") consisting of the plaintiff and all Alberta resident persons who, during some or all of the Class Period, accepted payments for the supply of goods or services by way of MasterCard credit cards pursuant to the terms of merchant agreements or such other class definition or class period as the Court may ultimately decide on the application for certification.

Factual Background to the credit card industry

17. The defendants Visa and MasterCard operate the two largest credit card networks in Canada, including Alberta. In 2009, Visa had approximately 31 million credit cards in circulation and MasterCard had approximately 44 million. In 2009, approximately 670,000 merchants across Canada accepted Visa or MasterCard credit cards. In 2009, the Canadian credit card market had \$265 billion in purchase transactions. Visa's share of these transactions was approximately 60% and MasterCard's share approximately 30%.

18. There are significant barriers to entry in the credit card network services market. There have been no significant new entrants in the market for credit card network services over the past 20 years.

19. Each credit card network involves contracts with issuing banks that are authorized by the defendants to issue credit cards to consumers bearing the trademarks Visa or MasterCard ("Issuing Banks") and acquiring financial institutions that function as payment processors to merchants ("Acquirers"). The

Defendant Banks are all Issuing Banks. Some of the Defendant Banks are also Acquirers, or have an ownership interest in Acquirers.

20. The credit card network services market is characterized by contractual relationships amongst and between Visa, its Issuing Banks, the Acquirers, and merchants, and amongst and between MasterCard, its Issuing Banks, the Acquirers, and merchants, giving each credit card network market power in the Canadian credit card network services market.

21. The agreements and contractual relationships that govern the Visa and MasterCard credit card networks constitute two separate but interrelated conspiracies in operation by way of contracts which are between and among:

- (a) the Visa network and its member banks (which are Issuing Banks and Acquirers); and**
- (b) the MasterCard network and its member banks (which are Issuing Banks and Acquirers).**

22. In essence, the Visa and MasterCard networks are organizations that facilitate credit and debit card transactions. They do so by setting standards for the exchange of transaction data and funds among merchants, Issuing Banks, and Acquirers. The networks also provide authorization, clearance and settlement services for all Visa and MasterCard-branded payment card transactions.

23. Certain Issuing Banks, such as the defendants CIBC, Desjardins, RBC, and TD, and all Acquirers, participate in both credit card networks. Certain Issuing Banks, including the defendants BMO, Desjardins, RBC, and TD, are also Acquirers or own large stakes in Acquirers, and in some cases control the operations of those Acquirers. TD and Desjardins are both Issuing Banks and

Acquirers. BMO and RBC own and control Moneris as partners in a joint investment. CIBC and National have marketing alliances with Global.

24. In order to accept payments by Visa or MasterCard credit cards, merchants must enter into agreements with Acquirers. These agreements include standard terms and conditions imposed by the Issuing Banks and Visa or MasterCard through their respective agreements with the Acquirers. These agreements include the terms of the Visa International Operating Regulations (the "Visa Rules") and the MasterCard Worldwide MasterCard Rules (the "MasterCard Rules").

25. For every transaction where a customer uses a Visa or MasterCard credit card to pay a merchant for a good or service, that merchant must pay a fee, commonly referred to as a "Merchant Discount Fee". The Merchant Discount Fee is the difference between the price a merchant charges for a good or service and the amount that the merchant ultimately receives for that transaction. In 2009, merchants in Canada paid approximately \$5 billion in Merchant Discount Fees.

26. The Merchant Discount Fee is made up of three parts: the "Interchange Fee" paid to the Issuing Bank associated with the customer's particular Visa or MasterCard credit card, the "Service Fee" paid to the Acquirer and the "Network Fee" paid to either Visa or MasterCard. The Interchange Fee is typically 80% of the Merchant Discount Fee.

27. Through agreements, Visa, MasterCard, and their Issuing Banks and Acquirers leverage their market power to earn supracompetitive profits from Canadian merchants, including the Visa and MasterCard Class Members.

28. During the Class Period, Visa and MasterCard, along with their respective Issuing Banks and Acquirers, each set and made available default rates for the calculation of Interchange Fees for use by Acquirers and Issuing Banks within their respective credit card networks (the "Default Interchange Fees"). Typically, the

Default Interchange Fees are set as a percentage of the price of the good or service supplied. The Visa Rules and MasterCard Rules require that the Default Interchange Fees be paid absent a specific agreement as between the Issuers and Acquirers establishing different Interchange Fees (the "Default Interchange Rule"). As a result, the Default Interchange Fees applied to virtually all purchase transactions within the Visa and MasterCard credit card networks.

29. Interchange Fees vary from card to card depending on the services and incentives bundled with the credit card. Premium credit cards that offer consumers additional incentives such as reward points typically carry a higher Interchange Fee. Merchants are not made aware of the Interchange Fee that will apply to any particular purchase with any particular card until the Acquirer reimburses or invoices the merchant.

30. Visa and MasterCard set their Interchange Fees as prices to merchants, not Acquirers. Interchange Fees are structured to impose different rates on different types of merchants. For instance, Interchange Fees on grocery store and gas station transactions are lower than Interchange Fees on most other retailers. The defendants' market power gives them the ability to price discriminate in this manner.

31. Despite increases to the cost to merchants of accepting Visa and MasterCard credit cards, the defendants' market power is such that the number of merchants who accept Visa and MasterCard credit cards has not decreased.

32. By enforcing adherence to the Visa Rules and the MasterCard Rules, respectively, the Visa network and MasterCard network have created agreements or arrangements that impose significant restrictions on the terms upon which credit card network services are provided to merchants. Both the Visa Rules and the

MasterCard Rules impose substantially the same restraints (the "Networks' Rules"), including:

- (a) the Default Interchange Rule;
- (b) the requirement that merchants must honour all credit cards of the same network (the "Honour All Cards Rule") ;
- (c) the requirement that merchants must not impose surcharges on purchases made using any credit card of the same network, regardless of the Merchant Discount Fee, and in particular the Interchange Fee, associated with use of a particular credit card (the "No Surcharge Rule").
- (d) the requirement that merchants must not make it more difficult to pay by Visa or MasterCard credit cards, or offer preferential treatment for paying by any particular method (the "No Discrimination Rule").

33. The Honour All Cards Rule, the No Surcharge Rule and the No Discrimination Rule are collectively referred to as the "Merchant Restraints".

34. Acquirers are contractually obliged to enforce the Networks' Rules, including the Default Interchange Rule and the Merchant Restraints.

35. The Merchant Restraints prevent merchants from effectively encouraging customers to use lower-cost methods of payment and from declining to accept certain Visa and MasterCard credit cards, including those with higher Interchange Fees, such as premium credit cards. The Merchant Restraints prevent merchants from applying surcharges to payments made by Visa and MasterCard credit cards, including Visa and MasterCard credit cards with higher Interchange Fees, or as compared to other modes of payment such as cash and debit cards. The effect of

the Merchant Restraints is to impede or constrain competition for credit card network services, including competition with respect to Interchange Fees.

36. As a consequence of the Merchant Restraints, consumers pay the same price to merchants for goods and services supplied by merchants regardless of mode of payment, despite the higher cost to merchants of Visa and MasterCard credit card transactions.

37. While the Merchant Restraints eliminate or neutralize advantages offered by lower-cost methods of payment, the structure of the Visa and MasterCard credit card network schemes allows Issuing Banks to create powerful incentives for cardholders to use Visa or MasterCard credit cards for as many transactions as possible. Issuing Banks bundle credit cards with various consumer features such as rewards and points for each dollar spent on premium credit cards.

38. The effect of the Merchant Restraints is that in Canada, Interchange Fees are far in excess of similar fees in other jurisdictions where the Default Interchange Rule and Merchant Restraints are not applied or are applied differently.

39. In the typical Visa or MasterCard transaction, funds flow from the Issuing Bank through the Acquirer or transaction processing company to the merchant. As part of this process, the Merchant Discount Fee is calculated by the Acquirer or transaction processing company the merchant has contracted with for the provision of credit card network services. The calculation of the Merchant Discount Fee incorporates the Interchange Fee and Network Fee, which are established by Visa or MasterCard. Although there are several models for the flow of funds between the parties, the invariable end result is that the merchant pays the Merchant Discount Fee and in particular the Interchange Fee, whether by way of a separate payment or a deduction from the amount paid through the Acquirer with whom the merchant has contracted. During the Class Period, the allocation of the Merchant

Discount Fee into Interchange Fee, Network Fee, and Service Fee was not set out in the statements to merchants.

40. Visa, MasterCard, the Issuing Banks, and the Acquirers seek to maximize the aggregate Merchant Discount Fees and in particular the Interchange Fees paid by the Visa and MasterCard Class Members through the two networks.

41. Under the Visa and MasterCard Rules, Acquirers are prohibited from suing Visa, MasterCard, or Issuing Banks over the level of Interchange Fees or any other matter.

42. The result of the Default Interchange Rule and Merchant Restraints is to allow Interchange Fees to be maintained at supracompetitive levels by restricting the pressures that, in a competitive market, would drive lower Interchange Fees. The operation of the Visa and MasterCard credit card network schemes by the Defendants are intended to maximize, increase, and maintain the total Merchant Discount Fees, including Interchange Fees, paid by merchants, including the Visa and MasterCard Class Members.

The Visa Conspiracy

43. Various Issuing Banks, including the defendants CIBC, Desjardins, RBC, Scotiabank, and TD, along with other Issuing Banks not named as defendants, participated as co-conspirators in the alleged unlawful conduct and entered into anti-competitive agreements, including agreements with Visa, each other, and other Issuing Banks regarding the rates of Interchange Fees paid to Issuing Banks by Acquirers within the Visa credit card network. These agreements include, but are not limited to, the Visa Rules. Visa, CIBC, Desjardins, RBC, Scotiabank, and TD are jointly and severally liable for the actions of, and damages allocable to, Visa and the co-conspirator Issuing Banks.

44. Acquirers, including Acquirers not named as defendants or owned or controlled by defendants, participated as co-conspirators in the alleged unlawful conduct and entered into anti-competitive agreements, including agreements with each other, Visa, and the Issuing Banks. These agreements include, but are not limited to, the Visa Rules. Pursuant to these agreements, the Acquirers entered into merchant agreements with merchants across Canada, including the Visa Class Members, which imposed standard anti-competitive terms and conditions, including the Networks' Rules and the Merchant Restraints. The agreements resulted in the imposition of supracompetitive rates for Merchant Discount Fees, including Interchange Fees, paid by the Visa Class Members. Visa, CIBC, Desjardins, RBC, Scotiabank, and TD are jointly and severally liable for the actions of, and damages allocable to, the co-conspirator Acquirers. These co-conspirator Acquirers include, without limitation, Moneris, TD Merchant Services, Global, Peoples Trust, First Data, Elavon, Desjardins and Chase Paymentech Solutions. Defendants who are Issuing Banks and also own, operate, or control Acquirers, being Desjardins, RBC, and TD, participated in the conspiracy in both capacities.

45. During the Class Period, senior executives and employees of Visa, CIBC, Desjardins, RBC, Scotiabank, and TD and other co-conspirators, acting in their capacities as agents for the defendants and co-conspirators, engaged in communications, conversations and attended meetings with each other. As a result of communications, conversations and meetings, and through the imposition of the Visa Rules, Visa, CIBC, Desjardins, RBC, Scotiabank, and TD and their co-conspirators did and unlawfully conspired or agreed to:

- (a) impose the Default Interchange Rule, Merchant Restraints, and other restraints set out in the Visa Rules on merchants including the Visa Class Members and thereby unreasonably increase the rates of Merchant Discount Fees, including Interchange Fees, paid by

merchants, including the Visa Class Members, for payments made using Visa credit cards in Canada including Alberta;

- (b) fix, maintain, increase or control the rates of Interchange Fees in Canada including Alberta; and
- (c) exchange information in order to monitor and enforce adherence to the agreed upon Merchant Restraints in Canada including Alberta.

46. In furtherance of the conspiracy, during the Class Period, Visa, CIBC, Desjardins, RBC, Scotiabank, and TD, their co-conspirators, and their servants and agents:

- (a) increased or maintained the default rates for Merchant Discount Fees, including Interchange Fees, in Canada, including Alberta;
- (b) imposed the Visa Rules including the Merchant Restraints on merchants in Canada, including Alberta;
- (c) communicated, in person, in writing, and by telephone, to discuss and fix the Default Interchange Fees in Canada, including Alberta;
- (d) exchanged information regarding the rates for Interchange Fees and the volume of transactions using Visa credit cards for the purposes of monitoring and enforcing adherence to the agreed upon Merchant Restraints;
- (e) took active steps to, and did, conceal the rates of the constituent elements of Merchant Discount Fees from all merchants; and

- (f) disciplined any Acquirer which failed to impose the Default Interchange Rule or enforce the Merchant Restraints or any merchant which failed to comply with the Merchant Restraints.

47. Visa, CIBC, Desjardins, RBC, Scotiabank, TD, and their co-conspirators were motivated to conspire and their predominant purposes and predominant concerns were to:

- (a) harm the plaintiff and other Visa Class Members by requiring them to pay supracompetitive rates for Merchant Discount Fees, including Interchange Fees; and
- (b) illegally increase their profits.

48. The overt acts alleged in this claim to have been done by Visa, CIBC, Desjardins, RBC, Scotiabank, and TD were authorized, ordered and done by the respective officers, directors, agents, employees or representatives of each while engaged in the management, direction, control or transaction of its business affairs.

The MasterCard Conspiracy

49. Various Issuing Banks, including the defendants BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, and TD, along with other Issuing Banks not named as defendants, participated as co-conspirators in the alleged unlawful conduct and entered into anti-competitive agreements, including agreements with MasterCard, each other, and other Issuing Banks regarding the rates of Interchange Fees paid to Issuing Banks by Acquirers within the MasterCard credit card network. These agreements include, but are not limited to, the MasterCard Rules. MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National,

RBC, and TD are jointly and severally liable for the actions of, and damages allocable to, the co-conspirator Issuing Banks.

50. Acquirers, including Acquirers not named as defendants or owned or controlled by defendants, participated as co-conspirators in the alleged unlawful conduct and entered into anti-competitive agreements, including agreements with each other, MasterCard, and the Issuing Banks. These agreements include, but are not limited to, the MasterCard Rules. Pursuant to these agreements, the Acquirers entered into merchant agreements with merchants across Canada, including the MasterCard Class Members, which imposed standard anti-competitive terms and conditions, including the Networks' Rules and the Merchant Restraints. The agreements resulted in the imposition of supracompetitive rates for Merchant Discount Fees, including Interchange Fees, paid by the MasterCard Class Members. MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, and TD are jointly and severally liable for the actions of, and damages allocable to, the co-conspirator Acquirers. These co-conspirator Acquirers include, without limitation, Moneris, TD Merchant Services, Global, Peoples Trust, First Data, Elavon, Desjardins and Chase Paymentech Solutions. Defendants who are Issuing Banks and also own, operate, or control Acquirers, being BMO, Desjardins, RBC, and TD, participated in the conspiracy in both those capacities.

51. During the Class Period, senior executives and employees of MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, TD, and their co-conspirators, acting in their capacities as agents for the defendants and co-conspirators, engaged in communications, conversations and attended meetings with each other. As a result of the communications, conversations and meetings, and through the imposition of the MasterCard Rules, MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, TD and their co-conspirators did and unlawfully conspired or agreed to:

- (a) impose the Default Interchange Rule, Merchant Restraints, and other restraints set out in the MasterCard Rules on merchants including the MasterCard Class Members and thereby unreasonably increase the rates of Merchant Discount Fees, including Interchange Fees, paid by merchants, including the MasterCard Class Members, for payments made using MasterCard credit cards in Canada including Alberta;
- (b) fix, maintain, increase or control the rates of Interchange Fees in Canada including Alberta; and
- (c) exchange information in order to monitor and enforce adherence to the agreed upon Merchant Restraints in Canada including Alberta.

52. In furtherance of the conspiracy, during the Class Period, MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, TD, and their co-conspirators and their servants and agents:

- (a) increased or maintained the default rates for Merchant Discount Fees, including Interchange Fees, in Canada, including Alberta;
- (b) imposed the MasterCard Rules including the Merchant Restraints on merchants in Canada, including Alberta;
- (c) communicated, in person, in writing, and by telephone, to discuss and fix the Default Interchange Fees in Canada, including Alberta;
- (d) exchanged information regarding the rates for Interchange Fees and the volume of transactions using MasterCard credit cards for the purposes of monitoring and enforcing adherence to the agreed upon Merchant Restraints;

- (e) took active steps to, and did, conceal the rates of the constituent elements of Merchant Discount Fees from all merchants; and
- (f) disciplined any Acquirer which failed to impose the Default Interchange Rule or enforce the Merchant Restraints or any merchant which failed to comply with the Merchant Restraints.

53. MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, TD, and their co-conspirators were motivated to conspire and their predominant purposes and predominant concerns were to:

- (a) harm the plaintiff and other MasterCard Class Members by requiring them to pay supracompetitive rates for Merchant Discount Fees, including Interchange Fees; and
- (b) illegally increase their profits.

54. The overt acts alleged in this claim to have been done by MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, and TD were authorized, ordered and done by their respective officers, directors, agents, employees or representatives of each while engaged in the management, direction, control or transaction of its business affairs.

CAUSES OF ACTION

Civil Conspiracy

55. The acts particularized in paragraphs 43-54 were unlawful acts on the basis set out in paragraphs 56-58, which unlawful acts were directed towards the plaintiff and other Visa and MasterCard Class Members, which unlawful acts the defendants knew in the circumstances would likely cause injury to the Plaintiff and other Visa and MasterCard Class Members and, as such, the defendants are each

liable for the tort of civil conspiracy. Further, or alternatively, the predominant purpose of the acts particularized in paragraphs 43-54 was to injure the plaintiff and the other Visa and MasterCard Class Members and the defendants are jointly and severally liable for the tort of civil conspiracy.

Breach of the Competition Act

56. Further, or alternatively, the acts particularized in paragraphs 43-54 are in breach of section 45 of Part VI of the *Competition Act*, RS 1985, c 19 (2nd Suppl.) ("*Competition Act*"), were and are unlawful, and render the defendants jointly and severally liable to pay damages and costs of investigation pursuant to section 36 of the *Competition Act*.

57. Further, or alternatively, the acts particularized in paragraphs 43-54 were in breach of sections 45 and/or 61 of *Competition Act* at the time the acts were committed, and hence were unlawful.

58. Specifically, in committing the acts particularized in paragraphs 43-54, the defendants conspired to fix, maintain, increase or control the price for the supply of credit card network services to the Class.

Unlawful Interference with Economic Interests

59. Further, or alternatively, the acts particularized in paragraphs 43-54 were unlawful acts on the basis set out in paragraph 56-58, which unlawful acts were undertaken by the defendants with the intent to injure the plaintiff and the other Visa and MasterCard Class Members, and the defendants are jointly and severally liable for the tort of unlawful interference with economic interests.

60. The plaintiff and the other Visa and MasterCard Class Members suffered damages as a result of the defendants' unlawful interference with their economic interests.

Damages

61. The plaintiff and the other Visa and MasterCard Class Members suffered the following damages:

- (a) the rates of Merchant Discount Fees and in particular Interchange Fees have been maintained at or increased to a supracompetitive level; and
- (b) competition in the supply of credit card network services has been lessened.

62. During the Class Period, the plaintiff and the other Visa and MasterCard Class Members entered into standard form merchant agreements with Acquirers containing the Merchant Restraints imposed pursuant to the Visa Rules and MasterCard Rules, respectively, and paid excessive and supracompetitive Merchant Discount Fees and in particular, Interchange Fees. By reason of the alleged violations of the *Competition Act* and the common law, the plaintiff and the other Visa and MasterCard Class Members paid more for credit card network services than they would have paid in the absence of the illegal agreements and, as a result, they have been injured in their business and property and have suffered damages in an amount presently undetermined (the "Visa Overcharge" and the "MasterCard Overcharge", respectively).

63. The plaintiff says that the Visa and MasterCard Overcharges are each capable of being quantified on an aggregate basis as the difference between the supracompetitive Merchant Discount Fees and in particular the Interchange Fees actually obtained by each of the Visa and MasterCard Conspiracies and those which would have been obtained in the absence of the unlawful conduct.

Punitive Damages

64. The plaintiff pleads that the defendants' conduct as particularized in paragraphs 43-54 was high-handed, outrageous, reckless, wanton, entirely without care, deliberate, callous, disgraceful, wilful, in contumelious disregard of the plaintiff's rights and the rights of each Visa and MasterCard Class Member, indifferent to the consequences and, as such, renders the defendants jointly and severally liable to pay punitive damages.

Unjust Enrichment, Constructive Trust, and Waiver of Tort

65. In the alternative, the plaintiff waives the tort and pleads that it and the other Visa and MasterCard Class Members are entitled to recover under restitutionary principles.

66. The defendants have each been unjustly enriched by the receipt of the Visa Overcharge or MasterCard Overcharge. Visa and MasterCard Class Members have suffered a deprivation in the amount of such Visa Overcharge or MasterCard Overcharge.

67. Since the Visa Overcharge or MasterCard Overcharge that was received by the defendants from the Visa and MasterCard Class Members resulted from the defendants' wrongful or unlawful acts, there is and can be no juridical reason justifying the defendants' retaining any part of such overcharge.

68. The defendants are constituted as constructive trustees in favour of the Visa and MasterCard Class Members for all of the Visa Overcharge or MasterCard Overcharge because, among other reasons:

- (a) the defendants were unjustly enriched by receipt of the Visa Overcharge or MasterCard Overcharge ;

- (b) the Class Members suffered a deprivation by paying the Visa Overcharge or MasterCard Overcharge;
- (c) the defendants engaged in inappropriate conduct and committed wrongful acts by engaging in the conspiracies alleged in this claim;
- (d) the Visa Overcharge or MasterCard Overcharge were acquired in such circumstances that the defendants may not in good conscience retain them;
- (e) justice and good conscience require the imposition of a constructive trust;
- (f) the integrity of the marketplace would be undermined if the court did not impose a constructive trust; and
- (g) there are no factors that would, in respect of the artificially induced overcharge, render the imposition of a constructive trust unjust.

69. The plaintiff pleads that equity and good conscience requires the defendants to hold the Visa Overcharge or MasterCard Overcharge in trust for the plaintiff and the other Visa and MasterCard Class Members and to disgorge those amounts to the plaintiff and the other Class Members.

Remedy sought:

1. The plaintiff, on its own behalf, and on behalf of the Visa and MasterCard Class Members, claims against the defendants:
 - (a) a declaration that the defendants, and each of them, participated in conspiracies to impose and maintain the Networks' Rules and in particular the Default Interchange Rule and the Merchant Restraints during the Class Period, and to raise, maintain, fix or stabilize the

rates of Merchant Discount Fees, and in particular Interchange Fees, in violation of statutory, common law, and equitable laws as alleged in this claim;

- (b) an order certifying this action as a class proceeding against Visa, CIBC, Desjardins, RBC, Scotiabank, and TD, and appointing the plaintiff as representative plaintiff in respect of the Visa Class Members;
- (c) an order certifying this action as a class proceeding against MasterCard, BMO, Capital One, CIBC, Citi, Desjardins, MBNA, National, RBC, and TD, and appointing the plaintiff as representative plaintiff in respect of the MasterCard Class Members;
- (d) damages in the amount of \$1,000,000,000, or such further and other amounts as may be proved at the trial of this action, including:
 - (i) general damages for conspiracy and unlawful interference with economic interests;
 - (ii) general damages for conduct that is contrary to Part VI of the *Competition Act*, and
 - (iii) punitive damages;
- (e) an injunction enjoining the defendants from conspiring or agreeing with each other, or others, to impose the Networks' Rules;
- (f) an injunction enjoining the defendants from conspiring or agreeing with each other, or others, to raise, maintain, fix or stabilize the rates of Merchant Discount Fees, and in particular Interchange Fees;

- (g) costs of investigation and prosecution of this proceeding pursuant to section 36 of the *Competition Act*;
- (h) pre-judgment and post-judgment interest pursuant to the *Judgment Interest Act*, RSA 2000, c J-1; and
- (i) such further and other relief as to this Honourable Court may seem just.

NOTICE TO THE DEFENDANTS

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of Queen's Bench at EDMONTON, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's address for service.

WARNING

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff against you.