**2015 Trends in Securities Class Actions** by Wolcott Wheeler

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Recently two comprehensive reports have been released that analyze how the world of securities class actions changed in 2015.  These two studies are [Recent Trends in Securities Class Action Litigation: 2015 Full-Year Review](http://www.nera.com/content/dam/nera/publications/2015/PUB_2014_Trends_0115.pdf), released by NERA, National Economic Research Associates, a prominent economic consulting group; and [Securities Class Action Filings: 2015 Year in Review](https://www.cornerstone.com/GetAttachment/c8a2df79-cde2-4494-b771-39fd3fa55ad9/Securities-Class-Action-Filings-2015-Year-in-Review.pdf), prepared by Cornerstone Research, a litigation consulting firm.

According to Dr. John Gould, a senior vice president of Cornerstone Research, “Companies on U.S. exchanges were more likely to be the target of a securities class action in 2015 than at any time since the Private Securities Litigation Reform Act took effect in the late 1990s. Most measures of litigation activity increased distinctly in 2015, including filings against companies headquartered in China and other Asian countries.”

Of course, it remains to be seen to what extent these waves of change will extend into 2016.  As we like to say in financial services, past performance is not an indicator of future results.  But here are some significant insights gleaned from both reports:

* 2015 saw federal securities class action filings reach levels not seen since 2008, with 234 complaints filed.
* The greatest number of class action cases filed were against Electronic Technology and Technology Services firms, a total of 52 that represented 22% of all filings, a 90% increase over the 2014 total.
* Filings against Pharmaceutical companies increased for the third year in a row, making it the most sued subsector of Consumer Non-Cyclical companies in 2015.
* After decreasing in 2014, the number of filings in the Industrial sector nearly doubled to 19 in 2015.
* In 2015, a record 23.9% of cases were filed against foreign issuers, due to a surge in filings against companies domiciled or with principal executive offices in China.

The number of [filings against foreign issuers](https://www.battea.com/blog/2015-trends-securities-class-actions/www.battea.com/what-we-do/international-settlements.html) increased to 35 in 2015, well above the 1997–2014 historical average of 22 filings.  The total number of filings against companies headquartered in China increased 27% from 2014 and remained well above the historical average.

* Securities class actions filed against Financial companies dropped to 19%, down sharply from 29% in 2014. For the first time since 2006, no class actions were filed against banks.
* Even so, 60% of 2015’s 10 largest settlements involved Financial sector defendants, as a result of litigation related to the financial crisis.
* The average settlement for 2015 reached $52 million, an increase of more than 46% over 2014.
* With the 2008 financial crisis getting farther behind us, the percentage of securities class actions with accounting firm co-defendants continued dwindling in 2015.
* Total filing activity increased 17% in the second half of 2015, compared to the first half of the year.
* Allegations of misrepresentations in financial documents were nearly universal (99% of filings). Allegations of false forward-looking statements were made in slightly less than half of filings (49%).
* Cornerstone Research’s Disclosure Dollar Loss (DDL) Index™, which calculates investor losses at the time that an alleged fraud is made public, rose 86%, from $57 billion in 2014 to $106 billion in 2015.
* In 2015, aggregate investor losses on all filed cases totaled $183 billion, a marked increase of more than 25%.
* In 2015, total potential case size increased by more than 25%, from $145 billion in 2014 to $183 billion in 2015, due to the filing of three very large cases.
* 2015 had the shortest median class period (310 days) of any year in the past decade, possibly because alleged malfeasance is being detected sooner.
* Cases were filed faster than in prior years; the median time between the end of the alleged class period and filing date shortened to a record 11 days, down almost 40% since 2014.
* Cases are generally being filed closer to the end of the alleged class periods. It took only 11 days or less to file a complaint in 50% of cases in 2015.
* In 2015, the median filing lag was 10 days between the end of the alleged class period and the filing date of the lawsuit. The median filing lag has been steadily decreasing since 2012.
* Nearly 90% of cases filed before 2012 have been resolved.  Almost 40% of cases are resolved within two years of initial filing, and about 60% are resolved within three years.
* Filings continued to be concentrated in the Second and Ninth Circuits.
* A significant insight: based on analysis of data from 1996 to 2015, settlement size grows less than proportionately with investor losses. In other words, small cases typically settle for a higher fraction of investor losses (for more cents on the dollar) than larger cases.
* Larger S&P 500 companies have historically been more likely targets of class actions.
* Cornerstone’s Maximum Dollar Loss (MDL) Index™, a measure of market capitalization losses during the class period, increased 73% in 2015 to $371 billion, the largest annual dollar increase since 2007.

Both NERA and Cornerstone Research release mid-year reviews of changes to the securities class action landscape, so stay turned for later in the year when we assess how 2016 is shaping up in this field!