

Securities Class Action Filing Activity Plummeted in 2021

Article By:

Cornerstone Research

Filings with allegations related to SPACs soared.

Plaintiffs filed far fewer securities class action complaints in 2021 than in the previous year, according to a report released today by Cornerstone Research and the [Stanford Law School Securities Class Action Clearinghouse](#).

The report, [Securities Class Action Filings—2021 Year in Review](#), found that plaintiffs filed 218 securities class action cases in federal and state courts, a 35% drop from 333 filings in 2020. The decline was largely due to a substantial decrease in class action filings related to mergers and acquisitions, and a decline in federal Rule 10b-5 filings without Section 11 allegations.

With additional SPAC mergers closing in the coming months and potential for more stock market volatility, we expect a busy securities litigation season in 2022.

Following the rise in special purpose acquisition company (SPAC)-related mergers, core federal SPAC filings increased more than sixfold from five in 2020 to 32 in 2021. One-third of these filings involved the auto industry.

“Over the last three years, roughly 13% of SPAC mergers were followed by securities litigation, typically within less than six months. This is slightly above the cumulative core litigation rate that recent newly public issuers face in the first two years after traditional IPOs,” said [Alexander “Sasha” Aganin](#), a report coauthor and Cornerstone Research senior vice president. “With additional SPAC mergers closing in the coming months and potential for more stock market volatility, we expect a busy securities litigation season in 2022.”

While the number of state court filings alleging claims under the Securities Act of 1933 fell sharply in 2021, federal-only filings rose. State filings have continued to decline since the Delaware Supreme Court’s March 2020 ruling in *Salzberg v. Sciabacucchi* upholding the validity of federal forum-selection provisions in corporate charters. Overall, the number of Section 11 filings in 2021 was roughly in line with the previous year.

“In addition to a marked decline in the number of companies sued in 2021, there was a 41% decline in the maximum dollar value of those claims. The decline is attributable largely to a dearth of ‘mega filings’—claims with theoretical damages exceeding \$10 billion. The dollars at stake might well be a more informative statistic for investors and plaintiff lawyers than the number of companies sued,” observed Professor [Joseph A. Grundfest](#), director of the Stanford Law School Securities Class Action Clearinghouse and a former commissioner of the Securities and Exchange Commission. “The stock market’s strength in 2021 might explain a good bit of the decline in plaintiff activity, measured either in dollars or by the number of complaints filed.”

Key Trends

- The percentage of U.S. exchange-listed companies subject to core filings decreased for the second straight year, from a record high of 5.4% in 2019 to 3.8% in 2021.
- Among S&P 500 companies, 2.2% were targeted in a core federal filing in 2021, the lowest percentage since 2015.
- The likelihood of a core federal filing against a non-U.S. issuer again surpassed the likelihood of such a filing against an S&P 500 company.
- At 17, the number of filings related to COVID-19 remained the same in 2021 as in the previous year. There were 11 cryptocurrency-related filings in 2021 compared to 12 in 2020.
- The 82 filings in the Second Circuit and the 57 filings in the Ninth Circuit made up 72% of all core federal filings in 2021, the highest combined proportion for any two circuits since tracking began in 1997.
- The Disclosure Dollar Loss Index[®] was \$274 billion, virtually unchanged from the previous year. DDL is the dollar-value change in the defendant firm’s market capitalization between the trading day immediately preceding the end of the class period and the trading day immediately following the end of the class period.
- Median DDL in 2021 more than doubled its 2020 measure, reaching a record high, while median MDL rose by 41%, reaching the second-highest value on record.
- The Maximum Dollar Loss Index[®] declined by 41% to \$941 billion, due to a substantial drop in mega MDL filings. MDL is the dollar-value change in the defendant firm’s market capitalization from the trading day with the highest market capitalization during the class period to the trading day immediately following the end of the class period.

About the Stanford Law School Securities Class Action Clearinghouse

The [Securities Class Action Clearinghouse](#) is an authoritative source of data and analysis on the financial and economic characteristics of federal securities fraud class action litigation. The SCAC maintains a database of more than 5,900 securities class action lawsuits filed since passage of the Private Securities Litigation Reform Act of 1995. The database also contains copies of complaints, briefs, filings, and other litigation-related materials filed in these cases.

Read the report [here](#).

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