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Accounting-Related Allegations in Securities Class Actions Decreased Sharply in 2021

Federal securities class action filings involving SPACs became the dominant filing trend in 2021.

Los Angeles—Securities class action filings and settlements with accounting allegations fell in 2021—both in terms of numbers and as percentages of total securities class actions. Settlement dollars and defendant market capitalization losses in case filings also dropped to low levels, according to a report released today by Cornerstone Research.

Accounting Case Filings

The report, *Accounting Class Action Filings and Settlements—2021 Review and Analysis*, found that plaintiffs filed 46 securities class actions with accounting allegations (accounting case filings), the second-lowest level in the last 10 years and down from 70 filings in 2020. Accounting case filings made up 24% of all federal securities class action filings in 2021, compared to 31% in 2020.

“ SPAC filings that include accounting allegations tripled in 2021 as compared to the prior year.

Filings involving special purpose acquisition companies (SPACs) was one area of focus that grew. Approximately 20% of accounting case filings in 2021 involved a SPAC, and in the second half of the year that figure was nearly one in three.

Filings referencing financial statement restatements and/or allegations of internal control weaknesses declined to the lowest level in more than 10 years.

Accounting Case Settlements

There were 33 settlements that involved accounting allegations (accounting case settlements) in 2021, down from 38 settlements in the previous year. The percentage of accounting case settlements fell to 38% of all securities class actions settled in 2021, compared to 49% in 2020.

The total value of securities class action settlements with accounting allegations dropped sharply from \$3.7 billion in 2020 to \$755 million in 2021. The median settlement value for accounting cases was \$7.5 million, down from a median settlement value of \$11.3 million in 2020 (adjusted for inflation), despite an increase in the size of issuer firm defendants.