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Summary:

Filings of shareholder class action suits are likely to approach the number encountered in 2002 following the dot-com aftermath. NERA Economic Consulting released a report projecting a total of 278 federal filings for the year, based upon the 139 suits filed in the first half of 2008. Such results more than double the 2006 tally of 131 cases and represent a 42 percent increase over 2007.

NERA's report is largely in line with findings of a mid-year assessment of the class action securities litigation published by Cornerstone Research and Stanford Law School's Securities Class Action Clearinghouse, which also projected a dramatic uptick, though it estimated fewer filings than NERA.

Many of the filings are clearly related to the subprime crisis. According to Joseph Grundfest, credit crunch litigation predominates. The professor of law and business at Stanford and co-director of the Rock Center on Corporate Governance said credit-related suits comprise, "more than 50 percent of the caseload that's being filed with the courts, and it's clearly the large part of the dollar exposure that's at issue in these lawsuits."

According to NERA, approximately 30% of the increase in filings may be explained by equity market volatility. Svetlana Starykh, a consultant at NERA, doesn't know whether filings have peaked, but says she's "absolutely certain that we will still see in the upcoming months more cases that are caused by, or can be related to, the subprime meltdown, the credit crisis, and auction rate securities."

Link to Original:

<http://businessfinancemag.com/article/uptick-class-action-securities-suits-gains-strength-0801>

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Uptick in Class Action Securities Suits Gains Strength
