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Apr. 18, 2018

Securities class action filings containing accounting allegations rose to unprecedented levels in 2017, according to [Accounting Class Action Filings and Settlements – 2017 Review and Analysis](#), a new report by Cornerstone Research. There were a record 165 accounting filings during 2017, nearly twice the 88 filed in 2016.

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The overall increase in accounting case filings was driven by 107 “nontraditional” filings that related to mergers and acquisitions. All of these nontraditional filings contained accounting disclosure allegations. The number of “traditional” (or non-M&A) filings dipped from 64 in 2016 to 58 in 2017 but involved larger defendant firms.

“Relatively larger defendant issuers have been the subject of traditional accounting class action filings in each of the past four years,” noted [Elaine Harwood](#), a Cornerstone Research vice president and head of the firm’s accounting practice. “We have not seen class action filings against firms of this size since 2008.”

“While event-driven litigation has gained recent attention, we find that accounting-related claims continue to be prevalent allegations and are a significant determinant

of settlement outcomes,” said [Laura Simmons](#), a Cornerstone Research senior advisor

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accounting case filings involving restatements declined. The number of 2017 restatement cases was 35 percent lower than the historical average; restatement case DDL was 49 percent lower than the historical average.

- **No auditor defendants named:** There were no auditor defendants named in traditional accounting case filings during 2017—the first year that has happened since enactment of the Private Securities Litigation Reform Act of 1995 (PSLRA).
- **Total settlement value declined:** The total settlement value attributable to accounting cases was the lowest since 1999, with only two accounting-related settlements reaching \$100 million or more.
- **Larger defendant firms observed as settlement size shrinks:** Despite smaller settlement sizes, issuer defendants involved in accounting settlements were the largest observed over the past five years.
- **Restatement cases garnered higher settlements:** Cases involving financial statement restatements settled for substantially higher amounts than non-accounting cases.

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