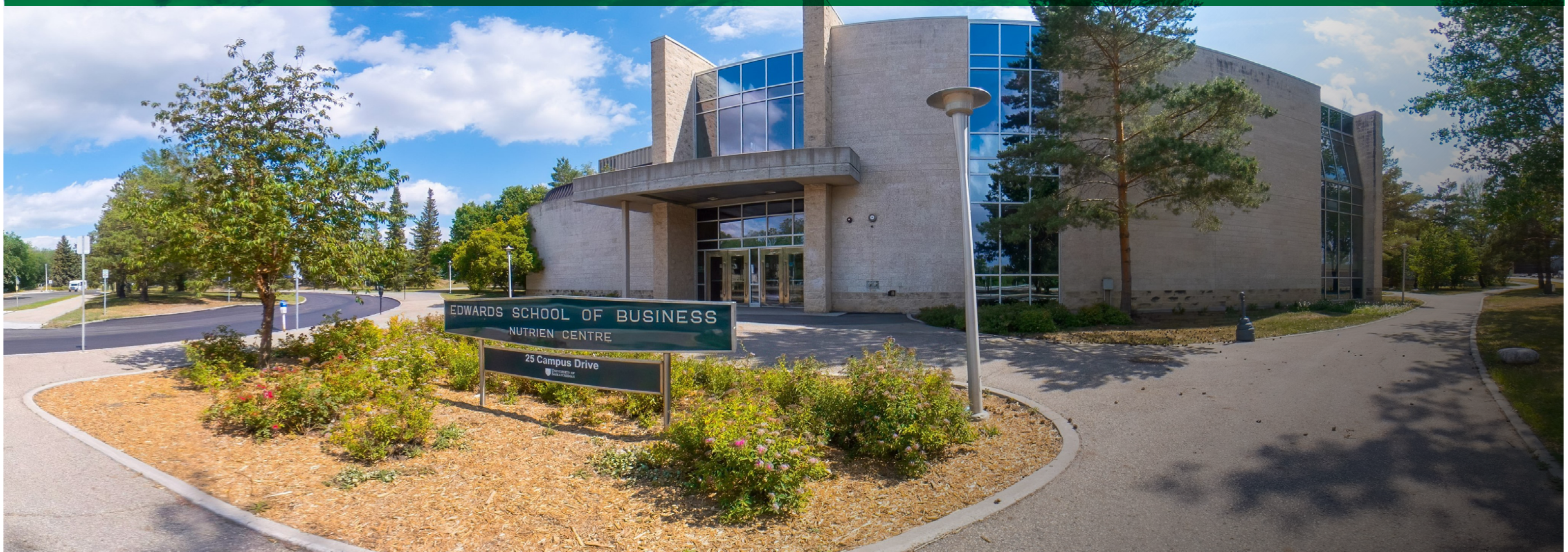
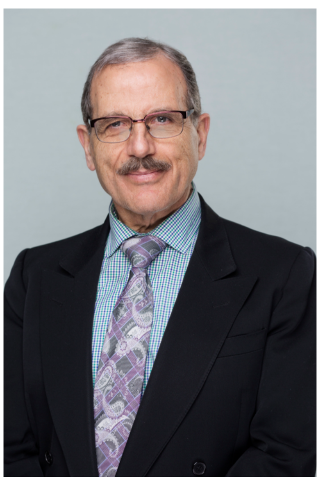
RESEARCH SEMINAR

EDWARDS
SCHOOL OF BUSINESS
UNIVERSITY OF SASKATCHEWAN



November 24, 12:00 -12:50pm

ESB 243 & Zoom



George Tannous

Professor
Department of Finance &
Management Science

Market Reaction to Announcements of Class Action Lawsuit Settlements

Abstract: This presentation explores the contentious landscape of class action securities lawsuits (CASLs), sparking prolonged debate. CASLs arise when corporate governance in a publicly traded company fails, leading to accusations against officers for violating securities laws. Shareholders seek damages, often resulting in a wealth transfer from existing shareholders to claimants who've divested from the implicated company. Settlement beneficiaries, typically shareholders retaining shares, experience a net loss due to the cash compensation reducing share value. In cases where shareholder-claimants are the sole beneficiaries without associated costs, the litigation payments to remaining shareholders become a zero-sum game. CASLs incur high agency costs, legal fees, and administration expenses, estimated at 25%-35% of the settlement amount, resulting in significant net losses for continuing shareholders. Despite debates on the necessity of these costs, researchers argue they are crucial to supplement corporate governance and align management interests with shareholder welfare, emphasizing ongoing discussions on effective approaches to address these complexities.

In-Person: Room 243 (Edwards)
Zoom: Register Here

TOGETHER

UNIVERSITY OF SASKATCHEWAN

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