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A Guide to Filing Claims in North American Securities Class Actions for European Investors

Busting the myths and misconceptions

ISS SCAS
SECURITIES CLASS ACTION SERVICES

Introduction

North America, and in particular the United States, has one of the most developed class action frameworks in the world. This stems from a history of preferring private methods of seeking redress, as opposed to government regulation or enforcement. The U.S. operates an opt-out system, where shareholders are automatically included in a class action if certain criteria are met. This passive participation model benefits shareholders, as it provides a mechanism for obtaining redress without participating in litigation. Instead, these investors can remain passive and await any settlement.

Donald Grunewald
Director of Litigation Analysis

Institutional Shareholder Services Securities Class Action Services ("ISS SCAS") is an established provider of claims filing and recovery services for institutional investors in securities and investor-related class actions. Despite the billions of dollars of recoveries annually, there are some misconceptions about these settlements that may stop some investors from receiving their fair share of the recoveries. This paper seeks to dispel some common myths and highlights why participating in these settlements is, in fact, highly advantageous to investors worldwide.

Myth #1: We do not want to participate in a legal case.

Fact: When a settlement has been reached in a North American securities class action, the legal proceedings have concluded. In other words, the lead plaintiff and the defendant company have agreed to a settlement on behalf of the class of investors. Shareholders who fall within the defined class are eligible to claim their share of the settlement simply by filing a claim. This is purely an administrative process, and no legal participation is required.

Myth #2: We do not want to harm our relationship with the company and so do not want our involvement to be publicly disclosed.

Fact: Again, filing a claim is an administrative, not a legal process. Moreover, the claims filing process in North America is confidential. Only the claims administrator and potentially the plaintiff's attorneys (more rarely) will learn the identity of claimants. Defendant companies and the public at large do not know who filed claims in a settlement except for any claimants who affirmatively choose to publicly contest any of the claims administrator's determinations.

The vast majority of settlements are fully funded by insurance policies, not the companies themselves. If you do not claim your share of the settlement, that does not typically save the defendant company any money. Rather, it simply increases the share of the settlement proceeds that other claimants receive – in effect the other investors will receive what was your fair share!

Myth #3: These actions must be frivolous, as the companies that settle never admit fault or liability.

Fact: Under U.S. federal law, plaintiffs must meet rigorous standards to advance their cases. As a result, securities class actions are often unsuccessful. In fact, 59% of core federal securities class actions filed in the U.S. in 2020 were dismissed (with 9% still unresolved).[1]

Moreover, defendants in securities cases rarely admit fault, since very few securities cases in the U.S. are tried to a verdict. The fact that there is no admission of liability is therefore no indication of the strength of the allegations.

Over the years, there have been many large settlements related to notorious corporate scandals. For example, over $7.2 billion was recovered in the Enron Corp. case and nearly $6.2 billion for the WorldCom, Inc. case. Sometimes, there are parallel actions by the U.S. Securities and Exchange Commission ("S.E.C."), which creates its own settlement funds—typically representing 10-20% of the U.S. total in any given year. Importantly, these settlements have already been secured. So by not participating, investors are simply leaving money on the table, effectively forfeiting compensation that is rightfully theirs.

[1] Cornerstone Research. "Securities Class Action Filings, 2024 Year in Review." January 29, 2025, at p.16.

Myth #4: It is better to work with new management or a new board to effectuate change collaboratively.

Fact: Company engagement is an integral part of the investment management and governance process, with access to company management playing an important role. Engagement has proven effective in driving corporate change. However, when serious wrongdoing has resulted in loss to shareholders, litigation may be necessary when other avenues have failed. Legal action not only can compel companies to change corporate behaviour but can also provide meaningful compensation to aggrieved shareholders (including where companies have collapsed and there is no longer a board).

Securities class actions in the U.S. can be brought against the former management and even sometimes third parties, such as underwriters, giving shareholders a stronger position to hold such parties accountable compared to the new management team. Furthermore, most settlements are funded by insurance policies that were taken out on behalf of former management, minimizing the impact on the company's current operations. Also, while boards and management may often be focused on the largest shareholders, shareholder litigation can empower smaller shareholders.

Regardless, the fact remains that these settlements are a common fact of life in the U.S. By not participating, institutional investors and asset owners are again leaving money on the table that has already been secured.

Myth #5: It is better to leave governmental regulators like the S.E.C. to hold companies accountable.

Fact: Private cases fill an important gap. The U.S. Supreme Court itself has recognized that "meritorious private actions to enforce federal anti-fraud securities laws are an essential supplement to criminal prosecutions and civil enforcement actions brought, respectively, by the Department of Justice and the Securities and Exchange Commission."

Myth #6: We do not have the resources to monitor and file in hundreds of North American cases.

Fact: While the process of monitoring and filing claims may appear straightforward, it is a multi-step process, where any omissions or errors can be very costly if a single claim is missed. The top 10 U.S. settlements of 2024 accounted for approximately half of the total for the year. So, the importance of having the right resources to track all settlements, reconcile them with portfolio holdings, and ensure the timely submission of claims cannot be underestimated.

ISS SCAS has been tracking claims for over 30 years and has developed a comprehensive, end-to-end solution for monitoring, filing, and recovering claims on behalf of investors. By combining advanced technology with expert analysts, we ensure that no claim is missed, and every settlement is captured, making it easy for investors to recover settlements they are due while retaining full transparency and oversight.

Myth #7: We do not have a budget to pay for the service.

Fact: ISS SCAS offers flexible payment options, which give you the option of a contingency fee arrangement—where a client pays only a percentage of the recovered proceeds—or an annual subscription fee. Clients say that we are a rare vendor that actually pays them more than they pay us.

Myth #8: The payouts are small and not worth pursuing.

Fact: ISS SCAS collects client trading data via secure feed and files claims in all North American settlements where the client has any potential claim, no matter how small. Our investor clients do not need to worry that a settlement may be too small to pursue.

However, investors can receive significant amounts of money. In 2024, a $809.5 million securities class action settlement with Twitter, Inc. was distributed to investors. Plaintiffs' lawyers disclosed that the largest single payout to a claimant in this settlement was over $47 million. Indeed, ISS SCAS alone recovered more than $5 million each for five different clients in the Twitter settlement. In 2022, one European asset manager client received nearly $10 million in a $500 million S.E.C. settlement with Wells Fargo & Co. Our analysis shows that total recoveries over a 12-month period returned several basis points of AUM for certain client investors. Far from being limited, North American recoveries for SCAS clients can often be substantial.

Myth #9: It will take many years to receive any money, given the slow pace of litigation.

Fact: Securities class actions in the U.S. typically take 3-5 years before reaching a settlement, but investors usually receive payment 1-2 years after the claims filing deadline. So, it is a relatively fast timeline from claims filing to receiving payment, and much faster than the litigation timelines in many other countries.

Myth #10: A U.S. law firm files for us, so there is no need to work with ISS SCAS.

Fact: Many institutions engage U.S. law firms to monitor their portfolios for potential claims. We work closely with the leading law firms and recognize that they provide an extremely valuable service to investors. Indeed, we consider them partners, not competitors. However, just as our core focus is on claims filing and not giving legal advice, we believe that law firms should focus on what they do best—advising clients and securing the highest compensation for aggrieved shareholders.

We have a laser focus on our signature offering: filing claims in securities and investor-related class and group actions. We are backed by the wider ISS Stoxx group, a global company with over 3,500 employees, with deep resources in areas like IT & technology development, including cyber security. Furthermore, some investors do not want to deal with law firms or have no interest in active litigation; and with ISS SCAS doing the filing, they do not have to. We recognize the crucial role that law firms play in litigation, and we are prepared to take the baton when the time comes to file claims, without any perceived conflict of interest.

Myth #11: Our custodian or manager already handles filing in North American securities class actions for us free of charge.

Fact: Custodians are large organizations that have historically undertaken several vital functions for institutions. Filing securities class actions can be administratively complex, and as a result, custodians typically now either charge a contingency fee or bundle the cost into their servicing fees. Institutional investors should request a breakdown of these service fees from their custodian if explicit filing charges are not listed.

As a specialist claims filing and recovery provider, ISS SCAS offers economies of scale, a dedicated team of analysts searching for applicable settlements, a comprehensive database of over 14,000 cases stretching back more than three decades, and a robust reporting tool. Our range of services include assistance in filing securities cases outside of North America and in investor-related antitrust actions. In fact, we are so trusted by custodians that some of them have outsourced their filing services to us.

Conclusion

Securities class actions serve an important role in protecting and enhancing shareholder value. However, recovering settlement proceeds can sometimes be overlooked due to the perceived complexity, limited resources, or lack of in-house expertise. We hope this paper dispels some of the myths and serves to highlight the benefits of implementing a claims filing process. The claims filing process in North American is purely an administrative process and not a legal one, but it can require resources and time to do it in house. That is why many investors turn to specialist providers, such as ISS SCAS to file on their behalf.

If you would like to learn more about how we can help, contact us at contact@iss-scas.com

Addendum: Securities Class Action FAQ's

What is a securities class action?

In North America, a securities class action is a lawsuit brought on behalf of a group of investors who suffered financial loss due to a company's alleged violation of securities laws. These lawsuits often allege that a company (and its executives) made misrepresentations, which, when revealed through one or a series of corrective disclosures, caused the stock (or other securities') price to drop and therefore losses to investors. The class mechanism allows investors who suffered a loss to aggregate claims. Typically, investors who purchased the relevant securities during a period of time called the "class period" and were damaged have the right to participate in any settlement.

What is an example of an action?

Most cases revolve around allegations of fraudulent misrepresentation that artificially increased the price of a stock. For example, suppose a company stated in its regulatory S.E.C. filings that it had $10 billion in Q3 2023 revenues. Then, in June 2025, the company announces that revenues were only $5 billion due to a revenue recognition scheme, causing the stock price to drop by 30%. The misrepresentation is that the company significantly overstated revenues, and the existence of a scheme suggests they knowingly misled investors. As a result, shareholders suffered financial harm when the truth emerges and the stock price dropped 30% on the announcement.

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What happens next?

The court appoints a lawyer and a lead plaintiff to litigate the securities class action. Typically, unless the case is dismissed by the court, there will be a settlement after 3 to 5 years of litigation. Trials in securities class actions are extremely rare (usually only a handful per decade). Most cases settle before trial.

What if an investor does not want to be part of the class?

Investors can choose to affirmatively opt out of a class action. Typically, they do so to pursue direct action against the company (in the rare instances where investors have very significant losses in the company securities). Since investors are automatically included in the class unless they opt out, this is why North American securities litigation is called an "opt-out system."

When do most investors get involved in a securities class action?

Other than the court-appointed lead plaintiff, all other class members have nothing to do with the case until settlement. By the time notice of the settlement (which would include the amount and the terms) is disseminated to shareholders, the court will already have provided preliminary approval for the settlement, appointed a claims administrator to administer the settlement, and set a deadline for filing of claims and a date for a hearing on final approval. Typically, defendants and/or their insurers will have also already paid the settlement money into escrow. At this point, class members can file claims to obtain their prorated share of the settlement.

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What is the process for filing a claim in a settlement?

Each settlement provides specific instructions on how to file a claim, but generally, the process follows this sequence:

-**Trade data submission:** Investors must list their trading in the relevant securities during the class period and shortly afterward, as well as provide their holdings in the securities at the start of the class period.

-**Electronic filing:** The vast majority of claims are filed electronically by third parties, such as ISS SCAS, or by institutions themselves.

-**Settlement approval:** Once the court grants final approval to the settlement (which happens in virtually all cases), the settlement funds are typically transferred to the claims administrator's escrow account.

-**Claims processing:** After the claims deadline, the claims administrator reviews the claims, determining which claims are valid and calculating each claimant's recognized loss (i.e., damages).

-**Deficiency notices:** A few months after the claims deadline, the claims administrator issues deficiency letters to all claimants with denied claims, explaining why the claims were denied and how to potentially cure such deficiencies.

-**Follow-up & Verification:** Investors then have a period to submit the requested information to the claims administrator. The claims administrator may also contact certain claimants to request additional documentation to verify valid claims and prevent fraud.

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Do investors have to file a claim?

No. There is no requirement to participate in a settlement. However, in most settlements, filing a claim is a prerequisite to obtaining your fair share of the settlement. Finally, in the vast majority of settlements, not filing a claim does not save the company any money or reduce the aggregate size of the settlement. Moreover, institutions could potentially be in breach of fiduciary duty by not filing.

When do investors get their money, and how much will this be?

Once a settlement is finalized, standard practice is for the court-appointed law firm to move the court for distribution of the settlement, detailing the number of claims filed, accepted, and denied. The court usually approves this motion, and a few weeks later, the claims administrator will begin sending out payments for valid claims.

If the total value of approved claims exceeds the settlement fund, each claimant will receive a prorated share based on its recognized losses. ISS SCAS uses a recovery of approximately 8-10% of damages as a rough estimate, but rates can vary.

The time from the claims filing deadline to payment generally ranges from 1-2 years. In some cases, funds are held in reserve or checks go uncashed by claimants, leading to secondary or even successive distributions until the settlement fund is exhausted. Importantly, this is a purely administrative process, and no legal representation is required to participate.

Contact Us

www.iss-scas.com

sales@iss-scas.com