



Non-Investment Alpha: The New Revenue Line Opportunity for Institutional Investors

Unlocking a fresh revenue stream
from global securities class and
collective actions

Contents

- 03 Methodology
- 04 Introduction by Battea
- 05 Chapter One - Strategic Priorities
- 08 Chapter Two - Identifying Eligibility
- 10 Chapter Three - Overcoming Challenges
- 12 Conclusion
- 13 About Battea
- 13 About WBR Insights

Contributors



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Kevin Doyle, Vice President, Global Head of Marketing at Battea, is responsible for front line communication, marketing operations and building results-driven marketing campaigns that increase brand awareness and the organization's global footprint—working to expanding market share within the industry. Prior to Battea, Mr. Doyle was the Global Marketing Manager for Dow Jones, where he managed a company-wide re-branding, championed two annual global customer surveys, as well as all marketing activities involved with new product launches. Prior to that he held other Digital Marketing & Management roles with Investors Bank & Trust, State Street Bank, SS&C Technologies, and Santander Bank where he was responsible for developing marketing strategies to strengthen and grow online traffic and brand awareness as well as hosted and third-party event planning. Mr. Doyle graduated from Endicott College and holds both a B.S. and an M.B.A. in Marketing.



Sam Wankel, Senior Vice President Research, Battea Global Litigation Research, Inc.

Sam Wankel is Senior Vice President Research for Battea Global Litigation Research, Inc. where he is responsible for identifying, analyzing and monitoring all new securities class actions. Mr. Wankel has over 25 years of experience providing research relating to business valuation and complex securities litigation including calculating damage estimates to preparation of settlement allocations to class members. Prior to joining Battea, Mr. Wankel worked for some of the nation's leading securities class action law firms as well as private economic consulting firms specializing in business valuation and complex shareholder disputes. From 1994 - 1995, Mr. Wankel researched and prepared statistical information presented to the United States Congress and the Senate Banking and Finance Committee regarding public offerings, stock trading, securities class actions and the Private Securities Litigation Reform Act. Mr. Wankel holds a bachelor's degree from Colorado State University.

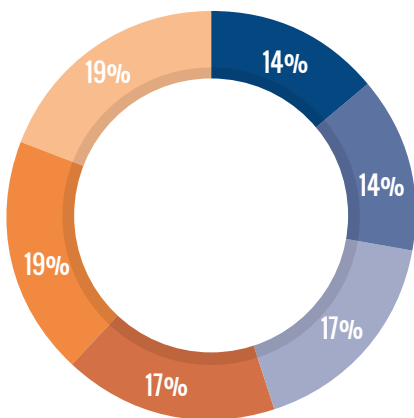
Methodology

In Q4 of 2020, WBR Insights surveyed 70 CEOs, CFOs, Portfolio Managers, Principals and similar across companies with an AUM of USD \$15 trillion and below in the APAC, EMEA and North America regions, to find out about institutional investors securities class and collective action claims filing.

The report aims to gain a greater understanding of how institutional investors across the financial services industry, from sell-side banks and buy-side pension and mutual funds are charting their activity, performance, and knowledge of the securities class and collective action filing market.

The survey was conducted by appointment over the telephone. The results were compiled and anonymized by WBR Insights and are presented here with analysis and commentary from Battea contributors.

What type of company do you work for?



- Equities Buy Side (hedge funds, mutual funds, pension funds, asset managers)
- Equities Sell Side (tier 1 and 2 banks)
- Foreign Exchange Buy Side (hedge funds, mutual funds, pension funds, asset managers)
- Foreign Exchange Sell Side (tier 1 and 2 banks)
- Fixed Income Buy Side (hedge funds, mutual funds, pension funds, asset managers)
- Fixed Income Sell Side (tier 1 and 2 banks)

What area within financial services are you working in?

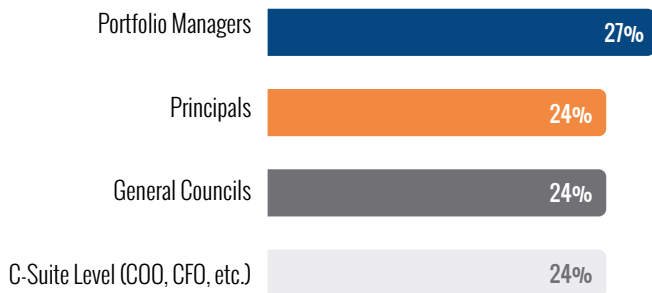


In which country is your company headquarters located?

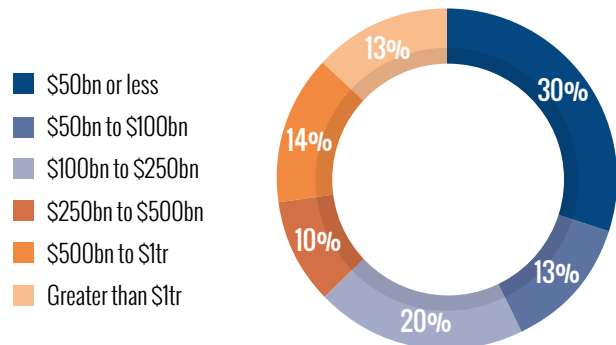


- | | | | |
|---------------|-----|--------------|----|
| ■ USA | 33% | ■ Sweden | 4% |
| ■ Canada | 17% | ■ China | 3% |
| ■ France | 7% | ■ Hong Kong | 3% |
| ■ Australia | 6% | ■ Japan | 3% |
| ■ Germany | 6% | ■ Ireland | 1% |
| ■ Italy | 6% | ■ Luxembourg | 1% |
| ■ Denmark | 4% | ■ Spain | 1% |
| ■ Netherlands | 4% | | |

What is your job title:



What are your organization's global assets under management in US dollars?



Introduction by Battea

There has been incredible growth in securities and antitrust class action litigations and settlements, particularly as they have unfolded in 2017, 2018, and 2019. The number of new cases and new settlements from traditional securities litigation to antitrust rate rigging, spread inflation and other forms of collusion are at an all-time high and shows no signs of slowing down.

While billions of dollars have already settled in the Foreign Exchange Benchmark Antitrust manipulation case, and have distributed in the Petrobras U.S. ADR settlement, there are still several billions expected to settle in cases currently in litigation.

With nearly \$15 billion currently available to damaged investors, it is crucial to take timely action to establish a claim. Plus, investors do not want to find themselves scrambling to gather data, deciphering settlement details, including their recovery opportunity, and other related issues as the roll outs of the settlements quicken. In previous matters, including the recent CDS case, many claimants missed the boat or got short changed due to the lack of transparency to loss calculations, insufficient data production, and other various reasons.

Therefore, Battea Class Action Services has constructed a marketplace survey for institutional investors across the financial service industry including banks, hedge funds, mutual funds, pension funds, and asset managers to chart their activity, performance, and knowledge of the securities class and collective action claims filing market.

What were the results in our survey? How do prospective claimants calculate their losses? How much have institutional investors recovered?

Chapter One - Strategic Priorities

Around the world, the past two decades have witnessed significant strengthening of the legal protections afforded to investors in securities markets. The number of successful securities class and collective action settlements has continued to grow over the last three years. This is helping institutional investors in two ways: to recoup losses and deter fraud at market level on a scale unseen.

It is clear from our survey that awareness of financial institutions' ability to recover their own funds, or those of their investors and clients, is growing. The majority of our respondents (63%) stated their firms were likely to participate in securities class and collective action filings in the future.

Over half of the respondents in our survey (53%) have previously filed claims in a securities class or collective action - with claimants evenly spread between buy-side and sell-side. Of those who filed in the last year, 38% have seen significant payouts. The average sum their firms have recovered was \$100,000 - \$200,000 USD.

Asset classes targeted for the recovery of funds were fairly evenly spread between equities (27%) and fixed income, commodities and currencies (24% respectively). This reflects today's reality that the volume of new suit filings and settlements has expanded from traditional 'plain vanilla' equities litigation. Merger objections, ethics and derivative instruments, antitrust rate rigging, spread inflation and other forms of collusions are being filed with increasing frequency across the globe.

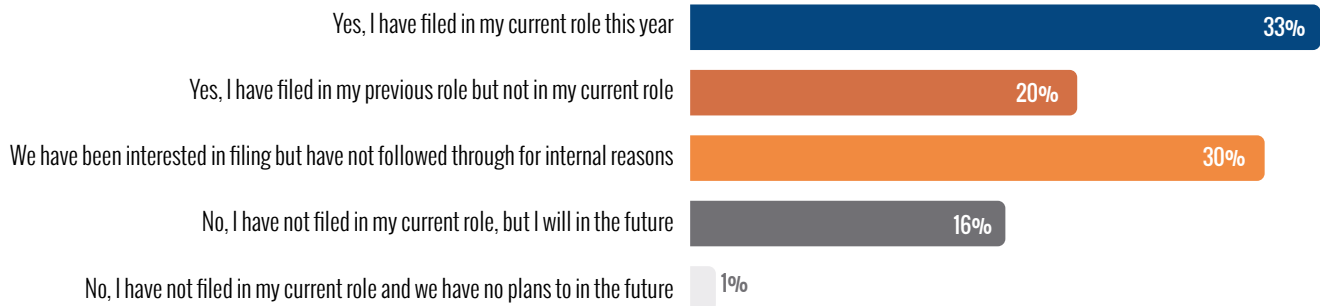
But given the vast pipeline of current litigations expected to settle, what is more illuminating is this. 47% of our respondents said they have not filed. This begs the question why would an institutional investor in today's competitive landscape not want to harness a fresh revenue stream? Why would they not participate in a collective class action in light of their implicit fiduciary responsibilities? Why pass over the potential to claw back funds for either their client base or themselves as beneficial owners?

Many institutional investors are simply ill equipped for keeping up with the volumes and complexities of securities class actions.

Without the internal audit functions and reporting tools to monitor and respond to the now many different securities class action and group investor action systems around the world, many may be not equal to the challenges of maximal asset recovery.

Given that the risks of participating - certainly from a US perspective - are low (there's no cost other than time), why else would they leave potential money on the table? Cases in non-US jurisdictions may be more complex (fees and adverse costs), but the rewards remain high, with billions of dollars available to institutional investors.

Have you previously filed a securities class or collective action?

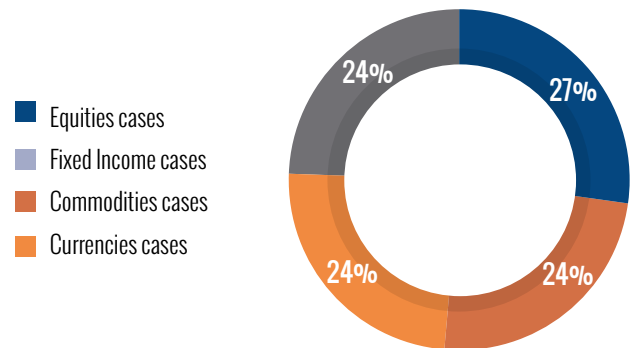


Key Takeaway: 47% said they have not filed a securities class or collective action claim in their current role.

Author and University of Michigan Law School Professor, A.C. Pritchard noted that “Money managers may be violating their fiduciary duties... leaving \$1.05 billion on the table per year.” Additionally, Professors and Stanford Law Review Contributors, James D. Cox and Randall S. Thomas noted, “Less than thirty percent of investors with provable losses perfect their claims in [securities class action] settlements.”

Kevin Doyle, MBA, Vice President, Global Head of Marketing

If answered yes to the previous question, of those that have filed in the past, which asset class were you looking to recover funds?

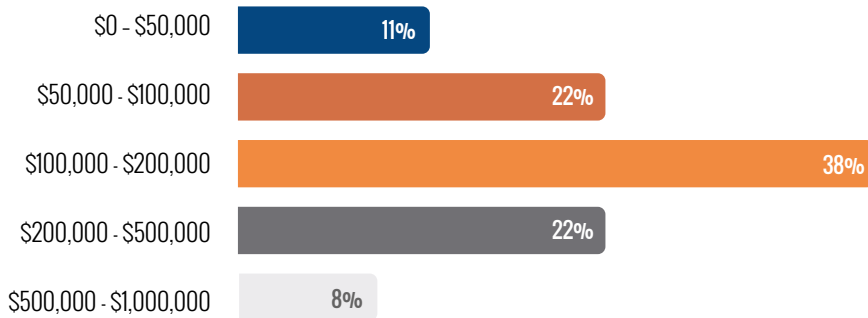


Key Takeaway: Of those respondents that answered ‘yes’ to the previous question, the majority (27%) were looking to recover funds from equities cases.

However, more than 70% were looking to recover in settlements including fixed income, commodities, and currencies. The asset classes are now more varied and expansive than ever. Investors need to rely on an expert firm to ensure maximum recovery.

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What has been the average amount of money that you have recovered from a securities class or collective action?

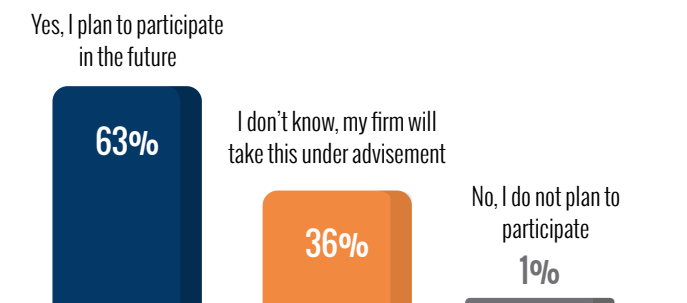


Key Takeaway: 82% of respondents have recovered between \$50,000 to \$500,000 from a securities class or collective action.

However, receiving a check is not validation of a “job well done” and/or that your recovery process is efficient. It is crucial that investors do not leave any money on the table in their recovery efforts.

Kevin Doyle, MBA, Vice President, Global Head of Marketing

How likely are you to participate in securities class and collective action filings in the future?



Key Takeaway: 63% said that their firms were likely to participate in securities class and collective action filings in the future

Chapter Two - Identifying Eligibility

Despite the growing number of securities class and collective actions, it is clear from our survey that the class action world remains a wild frontier for the uninitiated.

Understanding of damages, trading patterns and instruments – or of eligibility for wrongful investment losses – is clearly a major challenge. One third of our respondents (33%) stated they currently only identified their eligibility for securities or collective class actions through third-party vendors. A further one third admitted to not having set criteria to identify their eligibility.

Missed opportunities through neglect of inability to identify who is eligible may not only be a costly shortcut. Failure to act could expose a financial institution to the assertion that it has not met its fiduciary obligations on behalf of its clients.

There is a lack of awareness that investors must assert their claim in each different case to receive their pro-rata share of their losses. A frequent misconception is that when investors' holdings are eligible for a claim in a securities or other financial instrument antitrust class action lawsuit, recovery for losses is automatic.

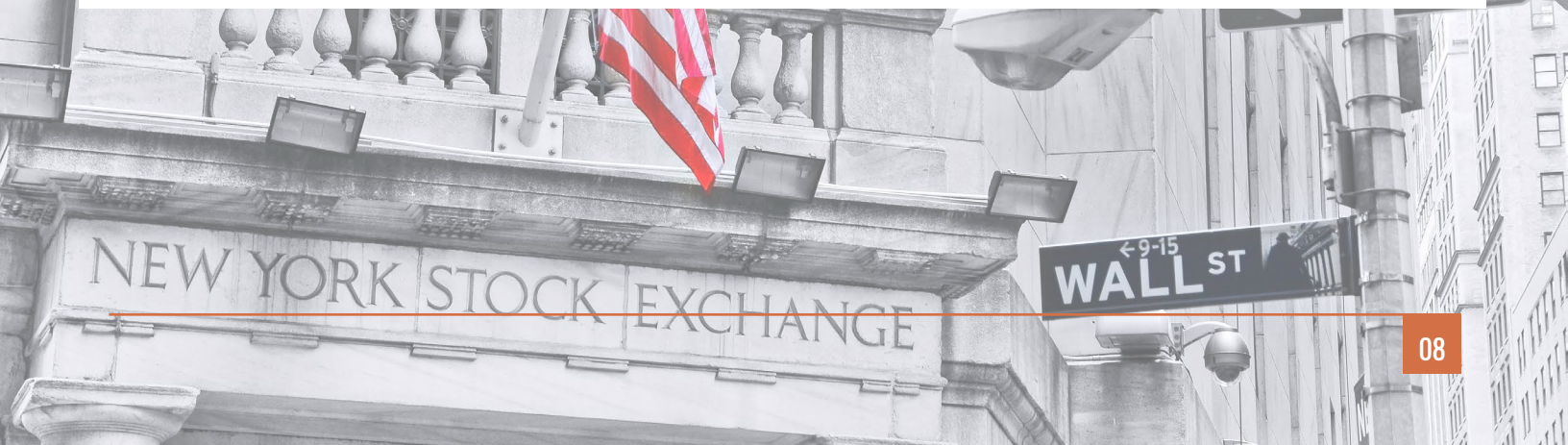
But before any settlement is reached, or investors are required to opt-in to a foreign litigation, investors need to audit their transaction data to determine if their funds have participated in all settlements in which they are eligible. Then they require the legal expertise to 'put their stake in the ground' and file in a way that is compliant with the requirements of each case.

Class and collective action success calls for a triangular combination of big data, market data and financial markets expertise. Today's easier access to automated information of underlying transactions may mean this data is available 'out there'. But its true value remains untapped for those firms who lack the technical competence and digital analysis to interpret it.

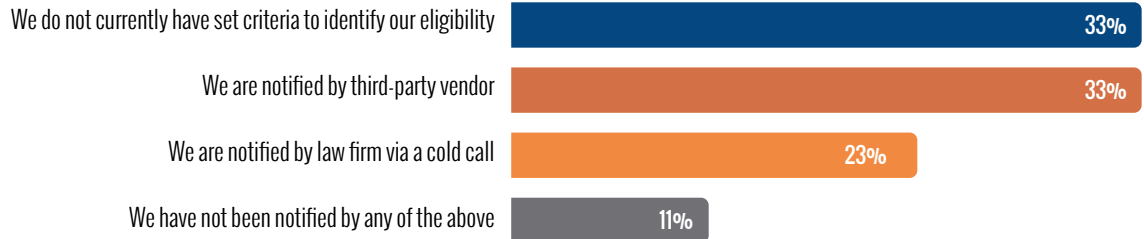
Limited insight into potential recoveries due to lack of in-house expertise or capacity is a handicap. It means many institutional investors lack the robust database needed of every class action and collective action opportunity globally, which includes matters years before they settle.

To add to this challenge, jurisdictions around the world have now opened the door to class action-like securities fraud litigation. For example, EU institutions reached a new directive in 2020 that permits class action cases – a welcome move since financial markets are globally accessible.

This brings more opportunities to pursue recovery. But, at the same time, it muddies the waters further by complicating the procedural frameworks for pursuing cases.



How do you currently identify your eligibility for securities or collective class actions?

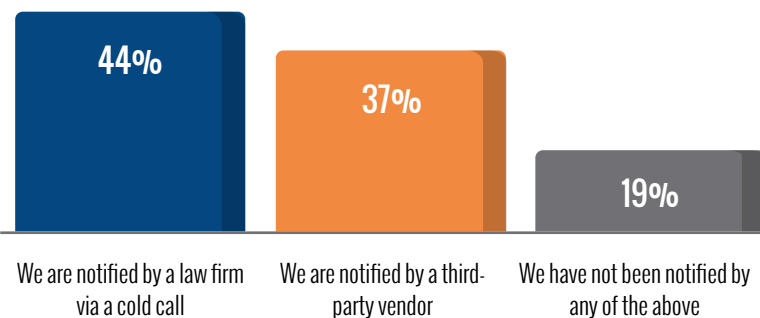


Key Takeaway: 33% said they do not currently have set criteria to identify their eligibility in pursuing a securities class and collective action and a further 33% said they are notified by a third-party vendor

With more than 1/3 of the market participating, but not validating its recoveries against a “Realized Loss” or “Estimated Participation Amount”, there is no way for those firms to ensure they are receiving their full awards. Any vendor acting on behalf of its investors, and not providing such benchmarks, are doing their clients a disservice.

Kevin Doyle, MBA, Vice President, Global Head of Marketing

How do you determine your losses on recently settled securities class or collective actions?



Key Takeaway: 44% determined their losses on recently settled securities class or collective actions by being notified from a law firm on a cold call

Chapter Three - Overcoming Challenges

The dynamic development of the global securities litigation field presents both opportunities and challenges for the institutional investment industry. It is also evolving expectations of the sector's responsibilities and financial acumen.

As class actions and collective redress proceedings have become more complicated, so has the back-office burden. Sourcing the labyrinthine data to understand underlying transactions is essential. And this has become more complex to interpret.

The trades involved in a class action claim, for example, may date back several years. They may combine multiple products and might involve international clients anywhere in the world. Technology for streamlining data aggregation to this fine degree is a key enabler not always in place.

Potential claimants have to drill down through their data to understand whether they have a case. This is before even tackling the filing process. So it is understandable that 40% of our survey respondents ranked a shortage of in-house time and resources as the main concern their firms would have in pursuing a securities class and collective action.

Costs – or their unpredictability – were also cited as a deterrent to participation. A lack of available budget available was stated by 34% of respondents as a challenge their firms would face when pursuing a securities class or collective action.

The soar in volume of cases is being driven by the increasing complexities of investment products, worldwide legal developments and the globalization of financial markets. This is testing for anyone involved – or considering participating -- in securities class litigation.

Jurisdictions around the world are introducing measures for class action-like securities fraud litigation. While opportunities for recovery of losses have expanded, this has added multiple layers of complexity to the challenge.

One size does not fit all. Even within the EU bloc, member state autonomy is preserved. This means that different nations address a different approach to the structure of a potential class or collective action. Other variants are the type of claimants with ability to sue and the scope of claims subject to redress and settlement.

It appears that, for all the reasons above, money is being left on the table. As many as 44% of respondents said they only determined their losses on recently settled securities class or collective actions after being notified from a law firm on a cold call.

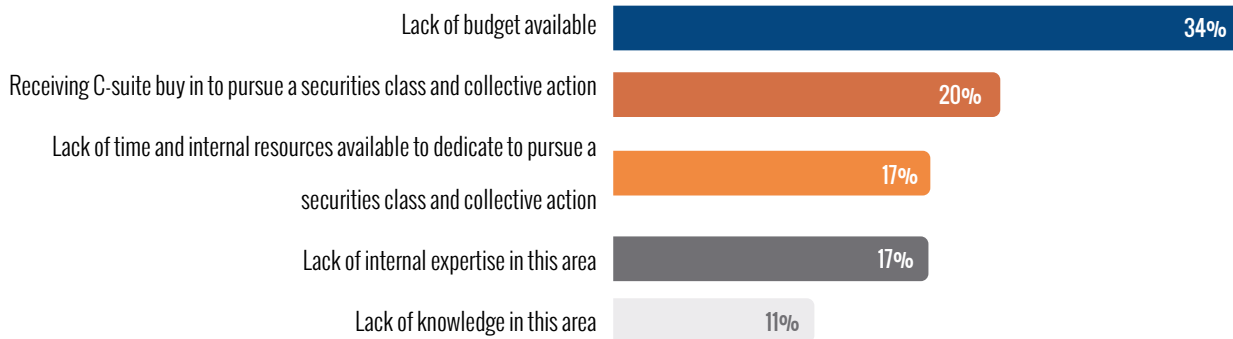
Our survey indicates that the institutional investing sector remains in reactive mode. Too often, only when they become aware of a class action settlement, does a firm seek to determine its relevance to their accounts and clients.

With the COVID-19 crisis, today's institutional investors face a challenging landscape. Many are focusing on higher yields for the longer term by taking on more complex investments across asset classes. Many have moved towards more direct ownership and active operations.

But as portfolios grow more sophisticated and diverse, so does exposure to participation in securities class or collective actions. Awareness of the importance of firms establishing a class action strategy in order to perform the maximum outcome for clients, however, is clearly broadening. Also growing is the recognition of the potential for an alternative 'business alpha' revenue stream.

Aside from compensation, 63% of our respondents said learning more about risks from third-party or clients was the benefits their firm would have in pursuing a securities class and collective action. A further 37% cited the benefit of gaining a better understanding of the process for a future case.

What are the main challenges your firm would face in pursuing a securities class and collective action?



Key Takeaway: 34% said lack of budget is the main challenge their firms would face when pursuing a securities class and collective action

This is where relying on a trusted firm like Battea Class Action Services means that investors pay nothing out of pocket until settlement. There are no upfront fees. Plus, there is no work and/or need of internal resources burdening the investor's firm.

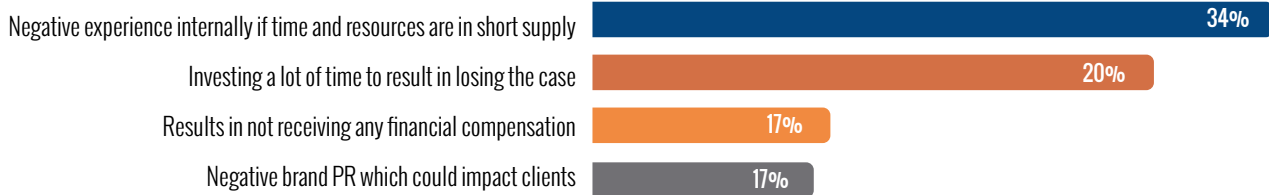
Kevin Doyle, MBA, Vice President, Global Head of Marketing

Aside from the financial compensation, what are the benefits for your firm in pursuing a securities class and collective action?



Key Takeaway: Aside from compensation, 63% of respondents said learning more about risks from third-party or clients was the benefits their firm would have in pursuing a securities class and collective action

What would be the main concerns your firm would have in pursuing a securities class and collective action?



Key Takeaway: 40% of respondents ranked negative experience internally if time and resources are in short supply as the main concern their firms would have in pursuing a securities class and collective action

Providing turn-key class and collective action antitrust and securities litigation recovery services means there are no upfront costs, and that the client is not wasting any of its efforts, human capital, or resources in their recovery efforts. Working with a leading class firm that is incentivized to recover every penny possible is advantageous to both the investor and the vendor.

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Conclusion

Through Q3 2020, there were 312 filings announced, a slight decline when compared to the same time in 2019 (398). This decline could be attributed to the COVID-19 pandemic. Should the industry surpass 400 filings in 2020, it would be for the fourth year in a row (2017: 413, 2018: 420, 2019: 428). Most of the filings in 2020 will be coming from the Health Technology, Electronic Services, and Finance sectors.

In 2020 and the years to come, we are going to see historical amounts of monies paid out to investors that traded in the domestic and international foreign exchange and derivatives markets. Billions of dollars have already settled in the foreign exchange antitrust manipulation cases and some of the derivatives cases, and at least another \$10 billion dollars is expected to settle in several derivative cases currently in litigation with more expected litigation on the horizon.

As there are such significant sums available to damaged investors, it is crucial to take timely action to establish a claim. A vast majority of international filings require eligible investors to opt-in, which demands an unparalleled understanding of the filing process, and an expert firm to decipher the specifics of each case and the various recovery options available.

About Battea

Battea Class Action Services, LLC is a global leader and expert in all stages of asserting and processing settlement claims in connection with antitrust and securities litigation. The Company has been a leader in the space for 20 years, serving more than 900 institutions around the world, including many of the world's largest banks, hedge funds, asset managers and buy-side investors. The landscape for U.S. class actions, international securities litigation and securities centered anti-trust litigation has evolved rapidly around the globe. With deep roots in the claims filing and financial technology sectors and its global presence, Battea is optimally positioned to help clients navigate the increasingly complex process of obtaining trustworthy information about litigation that impacts their investments and businesses. The combined experience of the Battea team is unrivaled among industry peers and brought to bear for our clients, guiding them through the entire cycle of the litigation and settlement process. Battea's expertise is simply unmatched.

For any questions, comments, or to just maximize your recoveries in these multi-billion dollar litigations, contact Battea today.

For media and investor inquires, contact Kevin Doyle, Global Head of Marketing at Battea +1-203-595-4329 or at doyle@battea.com.

About WBR Insights

Connect with our audience of high-level decision-makers in Europe and Asia from industries including: Retail & eCommerce, Supply Chain & Procurement, Finance, as well as many more. From whitepapers focused on your priorities, to benchmarking reports, infographics and webinars, we can help you to inform and educate your readers and reach your marketing goal at the same time.

Contact us to find out how your business could benefit from:

- Year-round access to our network of decision-makers and industry-leaders
- In-depth research on current fast-moving issues and future trends
- Lead generation campaigns that fit your priorities
- Promoting your organization as an authority in your industry

To find out more, visit: wbr.co.uk

