

THE GLOBAL CLASS ACTION NEWS ALERT

The Supreme Court rules the U.S. Securities and Exchange Commission (SEC) can recoup money for investors from fraud cases

OVERVIEW

The Supreme Court preserved one of the SEC's most important tools for returning money to victims of securities fraud. The recently decided case *Liu v. SEC* involved a challenge to the SEC's ability to extract profits — an action called disgorgement — that companies make by violating securities laws. The Supreme Court's June 22 decision upheld disgorgement as a remedy for securities fraud when the SEC sues in federal court. The decision limits disgorgement to the net profits made through fraud, meaning that any legitimate business expenses must be subtracted. It also emphasizes that the money obtained from disgorgement should benefit investors rather than being kept by the government.

WHY THIS MATTERS

This decision is good for investors. The SEC continues to have a powerful set of tools for punishing corporate misconduct and compensating victims. Although disgorgement has now been limited to net profits, we do not expect this to have a significant impact on the SEC's ability to compensate victims, as compensation from disgorgement normally has not exceeded net profits anyway. It is also meaningful that the Supreme Court explicitly reinforced the importance of getting money back to investors in its decision.

In general, SEC enforcement actions have become an important part of how victims of securities fraud get financial relief. The SEC has always been focused on punishing companies for violating securities laws, but in recent years it has also increased its focus on obtaining compensation for investors. Today, SEC enforcement actions often supplement settlements from class actions. Compensation from SEC enforcement actions is paid out to investors through a claims process, very much like class action settlements.

NEXT STEPS

If you are a client of Broadridge's portfolio monitoring and asset recovery services, we are already on the lookout for SEC enforcement actions that may benefit you. Broadridge handles these recoveries seamlessly along with class action settlements and other collective action settlements.

We provide complete portfolio monitoring and asset recovery services in all class and collective actions, in all jurisdictions to support maximum opportunities and maximum recoveries.

If you would like to learn more contact a Broadridge Global Class Action expert today: +1 855 252 3822.

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