Market Reaction to Data Breach Class Action Litigation
In South Korea: An Event Study

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Abstract
The recent years witness the abundance of information security incidents around the globe with the number of data breaches especially skyrocketing. Personal information breach incidents cause financial damage to corporations including the dropping sales and corporate value and also indirect damage to them including the lost reputation and trust. The aim of this study is to investigate the relationships between the company value and the data breach class action. The empirical analysis of them is based on the market model, and found a negative abnormal return rate (-1.96%) from the day before the incident to the next day. That is, the market made negative responses to public announcements related to class action. The results suggest the company avoid class action as much as possible since it costs them litigation expenses and lowers their corporate value.

Key Words: data breach, class action, personal information leakage, event study, information security incident

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