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# Second Circuit Affirms Dismissal of Section 11 Claim on Traceability Grounds

On March 24, 2026, in a per curiam opinion, the Second Circuit unanimously affirmed dismissal of a Section 11 claim brought by investors in securities issued by Barclays Bank PLC in a decision captioned *Knapp v. Barclays PLC*, No. 25-1361 (2d Cir. Mar. 24, 2026). Applying the Supreme Court’s decision in *Slack Technologies, LLC v. Pirani*, 598 U.S. 759 (2023), the Second Circuit held that Plaintiffs failed to plead that their specific securities—which were acquired through a reverse share split—could be traced to the purportedly misleading registration statement, requiring dismissal. This decision is consistent with [other](#) post-*Slack* decisions that have imposed strict tracing requirements in Section 11 cases at the pleading stage.

## Background: Section 11’s Tracing Requirement and the Supreme Court’s Decision in *Slack*

Section 11 of the Securities Act imposes liability for material misrepresentations in registration statements. In *Slack*, the Supreme Court unanimously held that Section 11 “requires a plaintiff to plead and prove that he purchased shares traceable to the allegedly defective registration statement.” Since then, many courts have applied a strict tracing requirement to dismiss Section 11 claims at the pleading stage where plaintiffs failed to allege that the shares they purchased were issued pursuant to the registration statement they challenged. For instance:

- In *Slack*, the Ninth Circuit on remand held that this pleading standard was not met because the company went public through a direct listing in which both registered and unregistered shares were immediately tradeable, and plaintiffs failed to show that the shares they acquired were registered.
- In *Shnyder v. Allbirds, Inc.*, No. 23-cv-01811-AMO (N.D. Cal. June 23, 2025), a district court in California reached a similar conclusion where a defendant went public through a typical IPO but where certain employees were permitted to sell preexisting unregistered shares during the first seven days of public trading. (See our alert [here](#).)
- In *In re The Honest Company Securities Litigation*, 21-cv-7405 (C.D. Cal. May 1, 2023), a district court significantly narrowed a certified class in a Section 11 case to include only investors who purchased shares before the end of the post-IPO 180-day “lock up” period, at which point unregistered shares could be traded in the market. (See our alert [here](#).)

Although these decisions involved situations where registered and unregistered shares commingled in the markets, their reasoning implied that, when a company issues shares pursuant to multiple registration statements in multiple offerings, courts will dismiss a Section 11 complaint where plaintiffs fail to plead that their specific shares were issued pursuant to the specific offering documents they challenge.

## The District Court’s Dismissal Decision in *Knapp*

Plaintiffs in *Knapp* were investors in exchange-traded notes (“ETNs”) issued by Barclays under the ticker VXX. On April 23, 2021, Barclays executed a 4:1 reverse split of VXX, where the issuer replaced every four ETNs held by investors with a single new ETN worth four times the value. Plaintiffs had acquired their ETNs prior to the reverse split, and their ETNs were

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exchanged in the reverse split. Also on April 23, 2021, Barclays filed a registration statement—called a “pricing supplement”—pursuant to which Barclays could sell post-split ETNs it held in inventory.

Plaintiffs sued under Section 11 and alleged that the pricing supplement was a new registration statement that incorporated materially misleading statements from earlier prospectuses. The district court dismissed the Section 11 claims because it determined that plaintiffs’ ETNs were not traceable to the allegedly defective registration statement (the pricing supplement, here). Plaintiffs appealed.

### The Second Circuit Affirms Dismissal on Tracing Grounds

On March 24, 2026, Second Circuit Judges Walker, Sullivan and Bianco issued a unanimous, per curiam opinion affirming dismissal of the Section 11 claims. The court applied the Supreme Court’s ruling in *Slack* and explained that plaintiffs’ claims required them to plead that the securities offered in the pricing supplement “included the ETNs transferred to the Investors via the reverse split.” But the pricing supplement’s language made clear that it governed issuance only of ETNs “that Barclays still held in its inventory, and which it had thus not distributed via the split.” Accordingly, the investors “failed to plead any facts tracing *their* ETNs – which they acquired via the reverse split – to the” allegedly misleading pricing supplement.

### Implications

The *Knapp* decision reinforces the strict traceability requirement the Supreme Court articulated in *Slack* and makes clear that Section 11 plaintiffs must do more than summarily plead some connection between a registration statement and their securities—rather, plaintiffs must plead specific facts demonstrating that their securities were offered pursuant to the precise registration statement they challenge. The decision joins a growing body of precedent in which courts, at the motion to dismiss stage, engage in a rigorous and technical analysis of offering documents and market realities to determine whether plaintiffs’ shares can be traced with certainty to the allegedly deficient offering they challenge. As more courts apply *Slack* and require plaintiffs to allege facts—and not mere conclusions—about the traceability of their shares, we may continue to see Section 11 claims dismissed where an issuer-defendant’s registered and unregistered shares, or shares issued pursuant to multiple registration statements, commingle in the market.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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