

PRESS RELEASE

ESMA publishes disclosure and investor protection guidance on SPACs

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has today issued a [Public Statement](#) on the prospectus disclosure and investor protection issues raised by special purpose acquisition companies (SPACs).

Prospectus disclosure

The statement, in view of both the complexity and the diversity of SPAC transactions, sets out ESMA's expectations on how issuers should satisfy the specific disclosure requirements of the Prospectus Regulation to enhance the comprehensibility and comparability of SPAC prospectuses. This should help to ensure that national competent authorities (NCAs):

- take a coordinated approach to the scrutiny of SPAC prospectuses;
- provide SPACs with an understanding of the disclosure that NCAs will expect them to include in their prospectuses; and
- support investors' analysis of these transactions.

Investor protection

The statement highlights ESMA's view that SPAC transactions may not be appropriate investments for all investors due to risks relating to dilution, conflicts of interests in relation to sponsors' incentives and the uncertainty as to the identification and evaluation of the target company. In addition, ESMA emphasises the importance of the proper application of the MiFID II product governance rules and their role in ensuring investor protection.

Anneli Tuominen, Interim Chair, said:

“There has been a significant rise in SPAC activity in EU capital markets this year, and with this comes growing interest from investors. Therefore, it is essential that investors are provided with the information necessary to understand the structure of SPAC transactions before making any investment decisions.



“ESMA’s statement will contribute to maintaining a high level of investor protection and promote a common consistent supervisory convergence by regulators across the EU.”

ESMA and NCAs will continue to monitor SPAC activity to determine if additional action is necessary to promote coordinated supervisory action aimed at preserving investor protection.

Background

SPACs are shell companies that are admitted to trading on a trading venue with the intention to acquire a business and are often referred to as blank check companies. The persons responsible for setting up SPACs are the sponsors, who typically have significant expertise in one or more economic sectors and use the SPAC to acquire companies in those sectors. SPACs sell their shares, often together with warrants, to investors to finance the acquisition. After the acquisition, the SPAC becomes a *normal* listed company.



Notes for editors

1. ESMA's work in the area of corporate disclosure aims at providing investors with adequate information on the companies they invest in, thereby ensuring better investor protection. More information [here](#).
2. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.
3. It achieves these objectives through four activities:
 - i. assessing risks to investors, markets and financial stability;
 - ii. completing a single rulebook for EU financial markets;
 - iii. promoting supervisory convergence; and
 - iv. directly supervising securitisation repositories and other financial entities.
4. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

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