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New guidelines from the LuxSE: safe SPAC(e) for market participants



Special Purpose Acquisition Companies (SPACs) have made headlines lately. These shell companies which are formed with no business purposes other than raising funds through initial public offerings (IPOs) for the aim of acquiring an operating company or group within a limited timeframe, have indeed become a strong sustainable alternative to the traditional IPO process in the past year ([see our previous newsletter for further details](#)).

Several European regulators, including the Luxembourg financial supervision authority (the *Commission de Surveillance du Secteur Financier*) have already approved prospectuses for SPACs and there is no doubt that further submissions will follow.

Though SPACs have by definition the same purpose, their features can vary, which may impact their governance and, therefore, level of protection of their investors.

The Luxembourg Stock Exchange (**LuxSE**) has issued on 19 August 2021 a new set of guidelines (the **Guidelines**), aiming to support SPACs sponsors and other professional intermediaries in their journey to listing on the regulated market (*Bourse de Luxembourg*) or the Euro MTF market,

while maintaining the levels of investor protection and market integrity by, among others, enhancing transparency.

The Guidelines list various recommendations in terms of corporate governance best practices to be followed by a SPAC at the different stages of its life.

Public offering

It is recommended for a SPAC to place the raised funds in an escrow account with a regulated financial institution and to grant to its shareholders redemption rights, whose conditions under which these rights can be exercised, together with the order of priority for outgoing payments, should be documented.

In addition, to enhance transparency, the prospectus accompanying the admission to trading should contain (i) a description of the SPAC business strategy, (ii) insights on the target industries and geographies where acquisition opportunities are sought, (iii) the timeframe for the consummation of the business combination and (iv) conditions of exercise of the above mentioned redemption rights.

Merging stage

To enhance investors' confidence in the SPAC market, the LuxSE further recommends for the business combination of the SPAC with the target company to be approved at a general meeting of the shareholders, which would have been provided with the necessary information to make an informed decision about the exercise of their redemption rights.

These Guidelines are not an exhaustive or mandatory list of features that SPACs should meet to secure admission on the LuxSE, but should be taken as a complement to the Rules and Regulations of the LuxSE.

These Guidelines should be welcomed by investors who will benefit from greater transparency and by SPACs sponsors which can certainly benefit from the clarified expectations of the Luxembourg Stock Exchange.

For more information and to stay up to date on this topic, please feel free to reach out to the contacts listed on this article or your usual Luther S.A. contact.

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