

SEC Proposes Extensive New Rules Applicable to SPACs and de-SPAC Transactions

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This week, our corporate colleagues published a handy [guide](#) to the SEC's new proposed rules on SPACs. Of particular note to securities watchers should be potential increases in litigation stemming from changes to the definition of "blank check company" for the Private Securities Litigation Reform Act of 1995 (the "PSLRA").

The SEC has long given hints about its desire to change this rule. In April 2021, [Acting Director of the Division of Corporate Finance John Coates released a public statement](#) noting that the PSLRA and its safe harbor may not be the shield some think it to be. One month later, [Chair Gensler also commented](#) on whether SPAC investors were being adequately protected. With these rules, it seems the SEC has offered its proposed solutions to their concerns.

Also of note is how these rules would expand liability to advisors and participants in the de-SPAC process. The new rule views any party that participated in the de-SPAC to be engaged in the distribution of securities and render them a statutory underwriter for purposes of the Securities Act of 1933.

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