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## French law allows the listing of SPACs while ensuring investor protection

**The Autorité des marchés financiers (AMF), the French financial markets authority, has observed a significant increase in the number of SPACs preparing their listings on the Paris stock exchange since the beginning of 2021. The French legal framework and regulatory requirements enable the listing of SPACs to be welcome in Paris, all the while providing appropriate investor protection.**

Special Purpose Acquisition Companies (SPAC) are newly-incorporated companies, without any initial operational activity, that go public to raise funds to finance one or more acquisition transactions to be identified following their Initial Public Offering (IPO). SPACs currently make up the majority of IPOs in the US and are attracting increasing interest from investors in Europe. These investment vehicles are created by founders who usually have a solid track record in specific projects in their sector.

In recent years, two SPACs have been listed on the Paris stock exchange, obtaining approval from the AMF.

Euronext Paris' regulated market has a professional segment. Given that this segment is dedicated to qualified investors, it is a suitable listing place for SPACs, which, in their initial phase, mainly target such qualified investors.

French law offers a broad range of possibilities for implementing the usual mechanisms of listed SPACs, similar to those used internationally and in particular in the United States. It thus meets the specific needs of the sponsors of these transactions, whilst offering investors

an appropriate level of protection. The various possibilities offered by French law include, in particular, the following:

- the preference share system makes it possible to create shares with specific rights and to make a distinction, within the framework of a SPAC, between the shares subscribed by sponsors and those offered to investors;
- redeemable preference shares can be offered to investors, which allows them, under certain conditions, to have their shares redeemed by the SPAC if they do not wish to remain shareholders in the company once the initial business combination (IBC) has been completed;
- warrants (in French "bons de souscription d'actions") allow investors to acquire shares at a predetermined price in the future and thus benefit from the company's prospective success after the IBC;
- the possibility to issue warrants and to launch capital increases reserved for a class of persons gives SPACs the flexibility to raise additional funds that may be needed to finance the IBC;
- the SPACs can place the funds raised during the IPO in escrow until the completion of the IBC, through the establishment of an escrow agreement. In France, several types of secure and highly flexible escrow arrangements are available, some of these involving the deposit of funds with a first-tier public institution (Caisse des Dépôts et Consignations).

The AMF has practical experience in these transactions. The AMF points out that prospectuses can be examined, within an efficient timeframe and in English, if the issuer so wishes.

When examining prospectuses for the IPO of SPACs, the AMF takes into account the specific features of this type of structure while ensuring that investors are properly protected, in accordance with its missions.

In this respect, the AMF pays particular attention to the:

- existence of commitments by the founders of SPAC to retain their shares and establishment of rules to manage conflicts of interest;
- completeness, comprehensibility and consistency of information provided to investors. The AMF is attentive, for example, to information relating to the sector of activity, risk

factors, governance and the management of possible conflicts of interest;

- establishment of an escrow account for the funds raised during the IPO until the IBC and thus the possibility for investors to be reimbursed should the transaction not be completed;
- the possibility for shareholders, at the time of the IBC, to be reimbursed by the redemption of their shares (or any other equivalent mechanism);
- procedures for approving the IBC and information disclosed to investors in this regard.

The AMF and the entire Paris financial centre are pleased to be able to support these transactions, which reflect and contribute to the attractiveness of France's financial markets.

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