take on more legal liability for disclosures.

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By Reuters (via Fast Company), TNS

U.S. blank-check companies and their acquisition targets will take on more legal liability for disclosures about projected earnings and other material information under new rules adopted by the U.S Securities and Exchange Commission on Wednesday.

The changes target deals involving special-purpose acquisition companies (SPACs), shell companies that raise funds through a listing with the intention of acquiring a private company and taking it public. Critics say the vehicles allow targets to

sparked worries that target company financial projections were frequently wildly optimistic or misleading. It first proposed the rule in March 2022.

SEC Chair Gary Gensler said at the start of Wednesday's meeting that the rules aimed to bring SPACs more closely in line with IPO rules.

"Whether you are doing a traditional IPO or a SPAC target IPO, SPAC investors are no less deserving of our time-tested investor protections," he said.

The new rule will also in some cases require that target companies register with the SEC and therefore also take responsibility for investor disclosures about the deal, SEC officials said in advance of the vote.

It will also require that companies provide stricter disclosures about compensation for SPAC sponsors, conflicts of interest and the potential for the dilution of share value.

Democratic Senator Elizabeth Warren, a prominent financial reform advocate who in 2022 published research on the alleged misuse of SPACs, hailed the SEC's move on Wednesday.

"I commend the SEC for responding to my call for action," she said in a statement, adding that the rules would help crack down on rampant "fraud, self-dealing and abuse."

SEC officials said they had changed the proposal in light of public comments.

The final rule drops a proposed 18-to-24-month window for SPACs to complete mergers or lose safe-harbor legal protections and a proposed requirement that would have automatically deemed some SPAC IPO participants to be underwriters in the subsequent mergers.

Instead, the agency will issue guidance on related questions, officials said.

according to figures from SPAC Research and the financial data firm Solactive.

(Reporting by Douglas Gillison, additional reporting by Lance Tupper and Echo Wang in New York, Editing by Michelle Price, Deepa Babington and Nick Zieminski)

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