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**ARTICLE**

# What Should SPACs Make of SEC Chairman Clayton's Recent Remarks

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SEC Chairman Jay Clayton's comments about SPACs on CNBC's Squawk Box last week were a mixed bag for SPAC sponsors. Although Chairman Clayton expressed his views that SPACs provide "healthy" competition to traditional IPOs, he went on to stress that "for good competition and good decision making, you need good information," and signaled that the SEC would be looking more closely at disclosure related to sponsor equity and the related incentives of SPAC sponsors.

Sponsors should rest easy that the SEC will not be passing rules setting sponsor compensation. Chairman Clayton made clear that the SEC is "not able to dictate and [the SEC] shouldn't be able to dictate what those compensation structures are but [it] can dictate that they be disclosed fully and fairly." Chairman Clayton did not specify where the SEC believes that current disclosure practices might be falling short, other than noting that the SEC views as material the amount of equity held by the sponsor at closing and its bearing on the sponsor's motivation.

Chairman Clayton stated that the SEC wants to make sure that investors have the benefit of the same level of rigorous disclosure they would have in a traditional IPO, so it is worth comparing the disclosure required in the two types of transactions. In a traditional IPO, there are specific rules and safe harbors dictating how much an issuer can deviate from the size of the offering and price range set forth in the prospectus before the issuer is required to amend the registration statement or provide additional disclosure through a prospectus supplement. In short, the post-closing capital structure and public float are considered material to an IPO investor's investment decision and the SEC rules operate to ensure that an investor has this information before purchasing shares.

Read the full article here.

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