

A background image of a financial chart with multiple colored lines (yellow, red, blue, green) and vertical bars, suggesting stock market data.

# SEC Final Rule Imposes New Disclosure Requirements and Mandates iXBRL Tagging for SPAC IPOs and De-SPAC Transactions

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Effective July 1, 2024, [a final rule](#) (the Final Rule) adopted by the U.S. Securities and Exchange Commission (SEC or Commission) on January 24, 2024 (i) imposes new disclosure obligations in transactions involving special purpose acquisition companies (SPACs), including initial public offerings (IPOs) by SPACs and business combination transactions between SPACs and private company targets (de-SPAC transactions), and (ii) requires the tagging of additional items in SPAC IPO prospectuses and de-SPAC registration statements in Inline XBRL format (iXBRL), beginning June 30, 2025 (the Mandate).

In adopting the Final Rule, the SEC aims to align SPAC transactions with traditional IPOs by enhancing disclosures and strengthening investor protection. Similarly, the Mandate is the first time the SEC will require iXBRL tagging in an IPO, signaling that the SEC may require the tagging of more IPO prospectus items in the future.

## SPAC PROSPECTUS DISCLOSURES – ITEM 1600 OF REGULATION S-K

Effective on July 1, 2024, the SEC has adopted [Item 1600 of Regulation S-K](#) to establish specific disclosure requirements in the prospectus section of registration statements for SPAC IPOs and de-SPAC transactions.

The Final Rule and the requirements under Item 1600 of Regulation S-K impact SPACs and de-SPAC transactions in a number of ways, including, among others, by:

- requiring enhanced disclosure about conflicts of interest, SPAC sponsors, and dilution;
- requiring additional disclosure in a prospectus summary concerning SPAC registered offerings;
- requiring, in certain situations, the target company in a de-SPAC transaction to be a co-registrant with the SPAC and thus assume responsibility for the disclosures in the registration statement filed in connection with the de-SPAC transaction;
- aligning the regulatory treatment of projections (and the related disclosure) in de-SPAC transactions with those applicable to traditional IPOs under the Private Securities Litigation Reform Act of 1995 (“PSLRA”); and
- deeming any business combination transaction involving a reporting shell company, including a SPAC, to be a sale of securities to the reporting shell company’s shareholders.

## NEW DISCLOSURE REQUIREMENTS IN PROSPECTUS– SPAC IPO VS. DE-SPAC TRANSACTION

### SPAC IPOs

According to the Final Rule, the newly required prospectus items for SPAC IPOs on Forms S-1 and F-1 include:

- **Item 1602:** Requires the cover page and prospectus summary to highlight key disclosures concerning SPAC registered offerings, in an easily readable and understandable form. These include, among others, (i) information about the amount of securities issued or to be issued by the SPAC to the SPAC sponsor, its affiliates and promoters and the price paid for such securities, and (ii) a description of each material potential source of future dilution following the registered offering.
- **Item 1603:** Disclosure of any actual or potential material conflict of interest between (i) the SPAC sponsor or its affiliates, the SPAC's officers, directors or promoters, and the target company's officers or directors, and (ii) unaffiliated security holders of the SPAC.

### De-SPAC Transactions

The newly required prospectus items for de-SPAC filings on Forms S-4 and F-4 and resale registration statements on Forms S-1 and F-1 include:

- **Item 1603:** Disclosure about the SPAC sponsor or its affiliates, including: (i) the experience, material roles and responsibilities of these parties, as well as any agreement, arrangement or understanding (a) between the SPAC sponsor and the SPAC, its officers, directors or affiliates, with respect to determining whether to proceed with a de-SPAC transaction and (b) regarding the redemption of outstanding securities; (ii) the control persons of the SPAC sponsor and any persons who have direct or indirect material interests in the SPAC sponsor; and (iii) the nature and amounts of all compensation that has been or will be awarded to, earned by, or paid to the SPAC sponsor or its affiliates for all services rendered in all capacities to the SPAC as well as the amounts of any reimbursements to be paid to the SPAC sponsor upon the completion of a de-SPAC transaction.
- **Item 1604:** Requires the prospectus summary to include, among other things, disclosure about the conflicts of interest of the target company's officers and directors; how the SPAC will identify and evaluate potential business combination candidates and whether it will solicit shareholder approval for the de-SPAC transaction; the material terms of the securities being offered, including redemption rights, and whether the securities are the same class as those held by the SPAC sponsor and its affiliates; and the period of time in which the SPAC intends to consummate a de-SPAC transaction.
- **Item 1605:** Disclosure of any material interests in the de-SPAC transaction or any related financing transaction held by the SPAC sponsor and the SPAC's officers and directors, including fiduciary or contractual obligations to other entities as well as any interest in, or affiliation with, the target company
- **Item 1606:** Requires a reasonably detailed discussion regarding any determination by the board of directors as to whether the de-SPAC transaction is advisable and in the best interests of the SPAC and its stockholders, the SPAC's and the target company's reasons for engaging in the de-SPAC transaction and any related financing transactions.
- **Item 1607:** Requires additional disclosure of any outside party report, opinion, or appraisal received that materially relates to the de-SPAC transaction.
- **Item 1609:** Disclosure of all material bases of the projections and all material assumptions underlying the projections in de-SPAC transactions. In addition, any projected measures that are not based on historical financial results or operational history should be clearly distinguished from projected measures that are based on historical financial results or operational history.

The Final Rule includes additional changes for de-SPAC transactions, including:

- a 20-calendar-day minimum dissemination period for prospectuses and proxy and information statements filed for de-SPAC transactions, where consistent with local law; and

- a re-determination of smaller reporting company status following the consummation of a de-SPAC transaction and requiring such re-determination to be reflected in filings beginning 45 days after the de-SPAC transaction's consummation.

## IXBRL TAGGING MANDATE

The newly mandated prospectus disclosures for SPACs are also required to be tagged in iXBRL beginning on June 30, 2025. The tagging of the new prospectus disclosures will be required beginning with a SPAC's IPO filing on Form S-1 or F-1, a significant change in existing tagging requirements under which every corporate IPO was previously exempt from tagging. The financial tagging requirements for existing SPACs do not change until 490 days following publication of the Final Rule in the Federal Register, whereby registrants must comply with the financial tagging requirements beginning with the earlier of (i) the SPAC's initial Form 10-Q filing after its IPO or (ii) the financial statements for the SPAC and target company after the business combination appearing in any registration statement on Forms S-4 and F-4.

The SEC intends to implement a new proposed rule to define the new elements required to be tagged, which, once final, will be posted ahead of the June 30, 2025, tagging deadline to ensure that filers and financial printers have enough time to prepare for iXBRL tagging.

## POTENTIAL IMPACTS AND TAKEAWAY

SPAC IPOs and de-SPAC transactions have served as an alternate method for private companies to access the public markets and may be considered to have potential advantages compared to traditional IPOs, such as faster execution, pricing certainty and less rigorous disclosure requirements. With the SPAC IPO market facing a relative cooldown in recent years, compared to over 600 SPAC IPOs during 2021, the landscape for these investment vehicles has evolved as regulators and market participants have expressed concerns over the asymmetries between investor protections afforded in a traditional IPO as compared to a SPAC transaction. While the Final Rule effectively codifies the new disclosure requirements under Item 1600 of Regulation S-K, SPAC registrants already had moved to incorporate these disclosures over the last few years as the SEC has requested them during its review and comment process.

Effective July 1, 2024 for the Final Rule, and June 30, 2025 for the iXBRL tagging Mandate, companies should continue to take these developments into consideration as they progress through prospectus disclosures and adapt to the evolving requirements for SPAC transactions.

For more information about the SEC's new rules and any questions, please see the [SEC's Fact Sheet](#) or contact the authors of this blog post or your regular Winston contacts.

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