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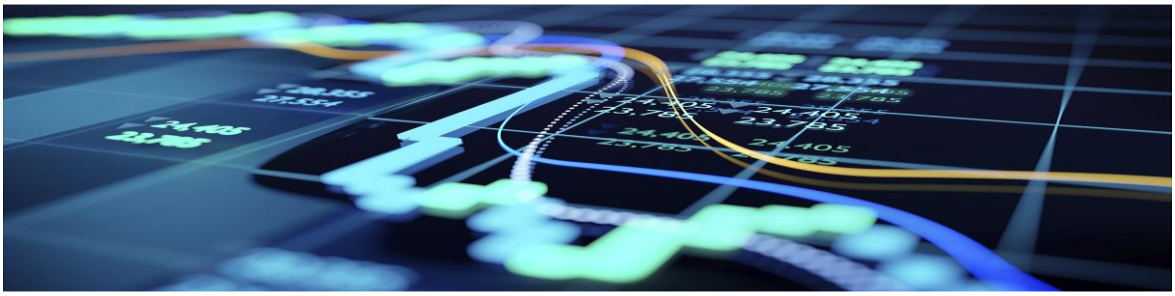

Why Luxembourg became attractive for SPAC sponsors

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Following the boom of special purpose acquisition companies ("**SPACs**") or "blank check companies" in the United States, SPACs have also gained momentum in EU markets.

> SPACs are newly incorporated special purpose acquisition companies seeking to acquire a target company in a specific business sector. The sponsor establishing the SPAC looks to raise capital from investors during an IPO process for the purpose of acquiring a target company within a certain deadline (usually around 24 months after the IPO is completed).

> Trendy EU listing venues include the Amsterdam Euronext and the Frankfurt Stock Exchange, but Luxembourg has gained its place in the EU SPAC market by giving home to many SPAC vehicles listed in EU venues.

> The structuring process of the SPAC in the EU market requires the establishment of the SPAC vehicle, the drawing up of a prospectus in accordance with the Prospectus Regulation[1], of its approval by the financial sector supervisory authority and the passporting notifications for admissions to trading on EU regulated markets.

> This process in Luxembourg is facilitated due to (i) flexible corporate law provisions which facilitate the SPAC set up and functioning, (ii) clear corporate governance rules and (iii) an efficient prospectus approval process with the *Commission de Surveillance du Secteur Financier* (the "**CSSF**").

Flexible corporate law provisions

Luxembourg corporate law[2] provides for the necessary flexibility to allow the sponsor to structure the SPAC and easily manage its functioning, namely:

- a Luxembourg SPAC can be structured in the form of public limited liability company (*société anonyme*) or European company (*société européenne*);
- it can have a one-tier board or a two-tier board;
- it can issue different classes of shares for the sponsor and the public shares;
- it can issue warrants (to be traded separately from the shares, or in units together with the shares) and the warrants can be exercised on a cash or cashless basis;
- it provides for a straight-forward mechanism of shares redemption in the event that investors request to have their shares redeemed upon consummation of the business combination;
- it provides for a simple liquidation process of the SPAC if the business combination does not occur.

[1] Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.

[2] Luxembourg law of 10 August 1915 on commercial companies, as amended.

Clear corporate governance rules

The Luxembourg legal framework on corporate governance is formed by: (i) the binding principles consisting in the ten principles of the Luxembourg stock exchange (the "**Principles**"), (ii) the recommendations explaining the Principles with binding effect on a 'comply or explain' basis and (iii) the guidelines that provide only best practices.

The Principles apply to any Luxembourg company listed on the Luxembourg Stock Exchange, but they may be applied on a voluntary basis as governance rules by any Luxembourg company or non-Luxembourg company, including Luxembourg companies to be listed on a foreign stock exchange.

Given their flexibility, certain SPACs opt to apply them on a voluntary basis as valuable guidance for the corporate governance of the SPAC and in particular on:

- the adoption of a corporate governance framework providing adequate disclosure;
- a responsible management of the company in view of ensuring the best interest of the company;
- the composition of the board of directors, including executive and non-executive directors and of special committees, to the extent necessary;
- professional ethics of the directors, including their independence;
- assignments and duties of the executive management;
- remuneration policy for directors and executive management;
- reporting, internal control and risk management;
- corporate social responsibility policies;
- shareholders' rights.

Efficient Prospectus approval process

The prospectus prepared in accordance with the Prospectus Regulation is submitted for approval of the CSSF.

The CSSF has recently set up a new online prospectus filing process which allows for an electronic filing of the prospectus and of the related documents, which can be done anytime of the day and with no specific cut off time.

Once the prospectus filed, the CSSF has **10 business days** to revert with preliminary comments on the prospectus but it often reverts within a shorter timeframe and it is available for clarifications on the comments provided or the documents requested. A clear description of the target business sector and of the elements relating to investor protection are essential aspects to be reflected in the prospectus in order to ensure a smooth review process of the prospectus by the CSSF.

Following the first filing, if comments are appropriately addressed by the sponsor and on a timely manner, subsequent filings of the prospectus can be quicker, and the prospectus can be approved in around 2 months from the date of the first filing.

> These factors contributed to the raise of Luxembourg as the homeland of a multitude of SPAC vehicles. While recent press announced for a deflation of SPACs, especially in the US market, SPACs deals remain steady in the EU market.

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