

FINRA Lives Up To Its Name, Announces Regulatory Inquiries into SPACs

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While 2021 has been exceptionally lucrative for SPAC sponsors – even more so than 2020’s “[Year of the SPAC](#)” – U.S. regulators appear emphatic that 2021 be the year of SPAC supervision. In April, the SEC released [guidance on SPACs and related risks](#), highlighted by its novel argument that the entire lifespan of the SPAC – from IPO to deSPAC transaction – may be considered part of the offering for purposes of securities law liability. After this bombshell, it appears other regulators do not want to miss out on making their voices heard.

On July 22, 2021, FINRA President and CEO Robert Cook joined the regulatory party, [announcing](#) during a Securities Industry and Financial Markets Association webcast a series of regulatory sweeps aimed at SPACs and “finfluencers,” or parties who offer financial advice online to potentially thousands of interested investors.

President Cook stated that FINRA continues “to be interested in the SPACs space and the conflicts of interest that might be there.” This aligns with FINRA’s previous publication in March 2021 of an investor’s [guide to investing in a SPAC](#). In this guide, FINRA staff noted “potential for conflicts of interest between SPAC sponsors and SPAC shareholders” that could create risk of “potential misuse of funds and potential fraud through misrepresentation or omissions regarding the prospects of the target company.”

Taking President Cook at his word, advisors and underwriters of SPAC deals may soon find another regulator at their door. For now, we will continue to monitor the SPAC space and update you to any regulatory or litigation events.

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