

Latham & Watkins [Mergers & Acquisitions](#) and
[Capital Markets](#) Practices

8 September 2021 | Number 2895

SPACs Arrive in Singapore — Singapore Exchange Issues Listing Framework

The SPAC Framework proposes to safeguard investor interests and meet capital-raising market needs.

Special purpose acquisition companies (SPACs) can now list on the Mainboard of the Singapore Exchange Securities Trading Limited (Mainboard). Singapore Exchange (SGX) published the new SPAC listing rules (SPAC Framework), as well as a [response paper](#)¹ on feedback received after its [consultation paper](#)² on the proposed SPAC Framework. The rules are a welcome addition to existing listing regimes and provide a more balanced framework than the framework originally proposed in the consultation paper.

The SPAC Framework proposes a balanced regime intended to safeguard investors' interests against concerns about specific features of SPACs and meet capital-raising needs in the market. The SPAC Framework covers the broad admission criteria for a SPAC listing: conditions for founding shareholders, the management team, and controlling shareholders and the business combination requirements.

Broad Admission Criteria

General Proposal

Under the SPAC Framework, the broad admission criteria for a SPAC listing on the Mainboard include the following requirements:

- **Minimum SGD150 million market capitalisation** - The market capitalization of the SPAC at time of the listing must satisfy this minimum, computed on the basis of the IPO price and post-invitation issued share capital. The business combination is required to constitute at least 80% of the fair market value of the SPAC's escrowed funds.
- **Public float requirements** - At IPO, a minimum of 300 public shareholders must hold at least 25% of the total number of issued shares and, upon completion of the initial business combination, a minimum of 500 public shareholders must hold at least 25% of the total number of issued shares of the resulting issuer, in line with current Mainboard requirements.

- **Minimum IPO price** - Set at SGD5 per share, which is similar to the minimum issue price required by US exchanges
- **No dual class structure at IPO** - The SPAC cannot have a dual-class structure (i.e., different classes of shares with different voting rights) at the time of IPO. The SPAC can issue different classes of shares with other non-voting differential rights.
- **Escrow** - At least 90% of the IPO proceeds must be placed in escrow pending the business combination. The escrow account must be opened with and operated by an independent escrow agent that is a financial institution licensed and approved by MAS. Escrowed funds are permitted to be invested in cash or cash equivalent short-dated securities of at least A-2 ratings (or an equivalent).

Suitability Assessment

In assessing the suitability of a SPAC for listing, SGX will also consider the following factors,³ among others, in relation to the founding shareholders and management team:

- The profile and repute, experience, and expertise of the team
- The nature and extent of compensation
- The extent of equity ownership in the SPAC
- The alignment of interests with other shareholders

SGX will also consider factors including:

- The amount of time permitted for completion of the business combination prior to a liquidating distribution
- The dilutive features and events
- The percentage of the amount to be held in escrow representing the fair market value of the business combination
- Whether the SPAC's constitutional documents provide comparable shareholder protection and liquidation rights with that of a Singapore-incorporated company, including whether the SPAC will be subject to the Insolvency, Restructuring and Dissolution Act (IRDA) for liquidation procedures or the incorporation of equivalent provisions as in the IRDA
- Other factors SGX believes protect investors and promote public interest

Mitigation of Shareholder Dilution

SGX is imposing a maximum percentage cap (including bases) on the resultant dilutive impact to shareholders, subsequent to the business combination arising specifically from the SPAC's conversion of issued warrants (or other convertible securities) at IPO. This information, together with the dilutive effect for investors, should be disclosed in the IPO prospectus. The proposed warrant ratio depends on a SPAC's overall commercial structuring.

Conditions for Founding Shareholders, Management Team, and Controlling Shareholders

Minimum Equity Participation

To align the founding shareholders and the management team's economic interests with those of the other shareholders, founding shareholders, and the management team must subscribe for minimum value of the SPAC's equity (based on its subscription price at IPO) as follows:

- 3.5%, if the market capitalisation of the SPAC is at least SGD150 million but less than SGD300 million
- 3.0%, if the market capitalisation of the SPAC is at least SGD300 million but less than SGD500 million
- 2.5%, if the market capitalisation of the SPAC is at least SGD500 million

Moratorium

As set out in Rule 210(11)(h) of the Mainboard Listing Rules, the moratorium requirements restricting the transfer or disposal of interests in the shares of the resulting issuer specified in Rules 227, 228, and 229 must be satisfied and accordingly.

- In relation to the shares of founding shareholders, the management team, and their respective associates — at least six months from date of listing of the SPAC to date of completion of business combination
- In relation to the shares of controlling shareholders of resulting issuers and their associates and executive directors of the resulting issuer with interest of 5% and more — at least six months from date of completion of the business combination

Business Combination Requirements

The general requirements for the SPAC's business combination are:

- The business combination must be completed within 24 months of the IPO, except that (i) in the event that a binding agreement for the business agreement has been entered into prior to the end of the 24-month period, the issuer shall have not more than 12 additional months to complete the business combination, provided certain conditions are met, and (ii) an extension of time is possible if both SGX approval and SPAC shareholders' approval are obtained. Founding shareholders, the management team, and their respective associates are not permitted to vote on the time extension with shares acquired at nominal or no consideration, and the approval threshold is 75%.
- The SPAC must provide quarterly milestone updates 24 months after listing.
- The business combination must be composed of at least one principal core business with a fair market value at initial acquisition, forming at least 80% of the gross amount held in the escrow account.

- The resulting business combination must meet the initial Mainboard listing criteria.
- An accredited issue manager must be appointed as a financial adviser to advise on the business combination, and due regard must be had to the ABS Listings Due Diligence Guidelines in respect of due diligence on the business combination.
- The business combination requires approval from a simple majority of the SPAC's independent directors. SGX will assess the collective relevance of independent directors' background, experience, and expertise, and ensure disclosures on their background in the prospectus.
- The business combination can only proceed if an ordinary resolution of all shareholders is passed.
- Independent shareholders have the right to redeem their SPAC shares at the time of the business combination. However, SPACs are allowed to establish a limit as to the maximum number of shares over which such shareholders may exercise redemption rights, provided that such limit may not be set at lower than 10% of the SPAC IPO shares.
- An independent valuation is required for the business combination or assets to be acquired if (a) the business combination is not undertaken with a contemporaneous PIPE subscription or placement or (b) the business or assets to be acquired are in the mineral, oil, gas, or property investment / development sectors.

Other Investor Protection Safeguards

The approval of at least 75% of the independent shareholders is also required for certain events of material change, such as:

- Drawdown of funds in escrow under exceptional circumstances
- Other matters, that to the reasonable deliberation of the board of directors would materially change the founding shareholders' profile, would be critical for founding the SPAC or would materially affect successful completion of the business combination

In addition, the issuer must meet existing initial listing requirements under Chapter 2 of the Mainboard Rules, as well as other relevant requirements.

Limit on Sponsor's Promote

The Sponsor's promote interest may not exceed 20% of the SPAC's total issued shares at its listing, which takes into consideration the Sponsor's promote in the form of shares, warrants and other convertible securities.

Accounting Considerations

To date SPACs have been most prevalent in the US, which likely will remain instructive on how the SPAC Framework will evolve. With respect to the accounting for a SPAC's warrants, the US Securities Exchange Commission's April statement notes that, despite the previously widespread practice of accounting for warrants issued by SPACs as equity instruments, most warrants issued by SPACs should be accounted for as liabilities, rather than equity instruments, of the company.

SGX indicated in its response paper that it continues to work with the Institute of Singapore Chartered Accountants and industry professions on assessing such accounting considerations and will monitor developments in the US market.

Latham will continue to provide updates on developments in this space.

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

Farhana Sharmeen

farhana.sharmeen@lw.com
+65.6437.5364
Singapore

Sharon Lau

sharon.lau@lw.com
+65.6437.5464
Singapore

You Might Also Be Interested In

[Key Regulatory Developments in Hong Kong and Singapore: December 2020](#)

[Considerations for a Business Combination With a SPAC](#)

[Singapore: New Best Execution Requirements](#)

[Podcast – How Did Singapore Solidify Its Position as a Leading Fintech Hub in 2020?](#)

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham's *Client Alerts* can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham & Watkins, visit <https://www.sites.lwcommunicate.com/5/2399/forms-english/subscribe.asp> to subscribe to the firm's global client mailings program.

¹ Response paper published on 2 September 2021.

² Consultation paper issued on 31 March 2021.

³ As set out in Practice Note 6.4 of the Mainboard Listing Rules.