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**Innovating Corporate Share Listing
Frameworks: A Comparative Study of SPAC
Regulatory Regimes in the United Kingdom,
Singapore, and Hong Kong**
Lerong Lu and Ci Ren

Innovating Corporate Share Listing Frameworks: A Comparative Study of SPAC Regulatory Regimes in the United Kingdom, Singapore, and Hong Kong

Lerong Lu and Ci Ren*

Abstract: In the 2020s, special purpose acquisition companies (SPACs) have swiftly emerged as an alternative vehicle for global corporations that seek a public listing. This article aims to critically analyse the regulatory frameworks governing SPAC listings in three prominent common law jurisdictions: the United Kingdom, Singapore, and Hong Kong. It evaluates the latest corporate share listing reforms from a comparative perspective, shedding light on how each jurisdiction adapts to the dynamic nature of SPACs and addresses rising challenges regarding investor protection under their new listing regimes. The discussion focuses on the influence of international best practices and the cooperation among global regulatory authorities. By providing an in-depth comparative analysis of SPAC listing rules in London, Singapore, and Hong Kong, this article offers valuable insights for researchers, legal practitioners, policymakers, public companies, and their investors who seek to understand the regulatory landscape for SPACs and innovative corporate regimes in leading financial centres. The findings enhance our understanding of the strengths and weaknesses of the SPAC regulatory frameworks in each of the three jurisdictions, thus assisting stakeholders in making informed decisions in this rapidly evolving global financial landscape.

Keywords: SPAC; special purpose acquisition company; listing rules; IPO; investor protection

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I. Introduction

Special purpose acquisition companies (SPACs), often referred to as ‘blank-check companies’, offer experienced management teams and sponsors an alternative route to take companies public. As their name suggests, SPACs gather funds from investors through an initial public offering (IPO), with the intention of acquiring a current operating company (the ‘target company’) at a later stage.¹ Following this acquisition process, the target company has the option to either merge with or be acquired by the publicly traded shell entity, therefore becoming listed in lieu of carrying out its own IPO process.² To explain further, the process through which a SPAC facilitates the public offering of a private company involves two stages. Initially, the SPAC itself undergoes an IPO and becomes a publicly listed entity on an international stock exchange. Subsequently, it proceeds to merge with a targeted private company. This merger aims to transition the private entity into the public sphere and commonly requires additional capital raising at the same time. The second phase is also known as the ‘De-SPAC’ transaction.³

¹ US Securities and Exchange Commission, ‘What You Need to Know About SPACs—Updated Investor Bulletin’ (2021). <https://www.sec.gov/oiea/investor-alerts-and-bulletins/what-you-need-know-about-spacs-investor-bulletin>.

² PwC, ‘What is a SPAC?’. <https://www.pwc.com/us/en/services/consulting/deals/library/spac-merger.html>.

³ Michael Klausner, Michael Ohlrogge & Emily Ruan, ‘A Sober Look at SPACs’ (2022) 39 Yale Journal on Regulation 228, 235.

First created in the 1990s, SPACs had not gained popularity among esteemed investors until recent years.⁴ According to the PwC, the proportion of SPACs in relation to IPOs increased dramatically, from 4 per cent in 2013 to 30 per cent in 2019.⁵ This uptick is fuelled by the growing involvement of banks, prestigious private equity firms, and notable entrepreneurs in creating SPACs, which in turn, has drawn the attention of private company owners keen on taking their businesses public. In practice, SPACs have been regarded as a dynamic investment vehicle in a wide range of industries, such as health care, IT infrastructure, energy, real state, and sports.⁶ However, the global SPAC-related IPO market began to subside in late 2021 and contracted further in the following years. The data suggests that there were 86 SPAC IPOs in 2022, a significant decrease from the 610 seen in 2021.⁷ Despite the slowdown in SPAC boom, the trend has still generated great interests for both sophisticated institutional investors (e.g., pension funds, sovereign wealth funds, private equity firms, hedge funds, and family offices) and retail investors. Notably, influential investment groups such as Fidelity, BlackRock, Goldman Sachs, and TPG Capital are all among the prominent participants in the rising wave of SPACs.

⁴ Derek K. Heyman, 'From Blank Check to SPAC: The Regulator's Response to the Market, and the Market's Response to the Regulation' (2007) 2 *Entrepreneurial Business Law Journal* 531, 532.

⁵ Mike Bellin, 'Why companies are joining the SPAC boom' (*PwC*, 2020). <https://www.pwc.com/us/en/services/consulting/deals/library/spac-boom.html>.

⁶ Daniele D'Alvia, 'Capital Markets, Professional Perspective—The Promise and Limits of a SPAC Revolution' (*Bloomberg Law*, 2020). <https://www.bloomberglaw.com/external/document/XCB26HAC000000/capital-markets-professional-perspective-the-promise-and-limits->

⁷ Michael O'Connor and Darakhshan Nazir, 'SPAC IPOs, deals fell in 2022' (*S&P Global*, 2023). <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/spac-ipos-deals-fell-in-2022-73994241>.

SPACs present a streamlined and time-efficient alternative to the traditional IPO process, rendering them highly attractive to companies wishing to go public swiftly. By merging with a listed empty shell, an operating company can bypass the arduous vetting process in a traditional IPO and instead leverage the public capital base of the SPAC.⁸ This arrangement allows shareholders of the target company to transition into shareholders of a publicly traded entity, while the target company itself gains access to a diverse pool of funds held by the SPAC. Private companies choosing to go public via SPACs are frequently in their early stage of development, small in scale and normally already high risk. Merger with a SPAC allows those companies which may have been excluded from the traditional IPO market to have access to the public funds, while also avoiding the burdensome procedures associated with traditional IPOs. Consequently, private start-ups flocked to this alternative path to get listed for its high efficiency and lower cost compared with traditional listing path.

Following the flourishing SPAC markets across major financial centres, there has been a rising trend of challenges and heightened scrutiny from investors, regulators, and courts towards SPACs and the subsequent De-SPAC transactions. The growing interest in the oversight of SPACs, along with the development of global market practices seen as the

⁸ Ci Ren and Lerong Lu, 'Special Purpose Acquisition Companies (SPACs): The Global Investment Mania, Corporate Practices, and Regulatory Responses' (2003) 1 *The Journal of Business Law* 22, 23.

benchmark for international financial regulation, underscores the necessity of a comparative examination over the SPAC regulations. Beginning in 2020, numerous jurisdictions worldwide have either implemented or initiated discussions about incorporating SPAC listing requirements with certain US characteristics, along with unique elements that cater to specific investment communities of each country. The three primary common law jurisdictions—the United Kingdom (UK), Singapore, and Hong Kong—have proactively revised their listing regulations to permit the listing of SPACs on the London Stock Exchange (LSE), the Singapore Exchange (SGX), and the Stock Exchange of Hong Kong (HKEX), respectively. This strategic move from stock exchanges and their regulators aims to capture a portion of the growing SPAC market.

The Financial Conduct Authority (FCA), the watchdog of the UK’s financial markets, made a Policy Statement on the revisions to the Listing Rules in 2021 to create a more favourable environment for hosting SPACs in 2021.⁹ Previously, the LSE had restrictions in place which did not align with the typical SPAC structure commonly adopted in the US (where the largest SPAC market is) appealing to large institutional investors. For instance, there used to be a presumption that a SPAC listing could be halted by the FCA when a target company is unduly disclosed to the market, or if information about the proposed acquisition has been leaked.¹⁰ While this rule is intended to protect investors

⁹ FCA, ‘Policy Statement: Investor protection measures for special purpose acquisition companies: Changes to the Listing Rules’ (PS 21/10), July 2021.

¹⁰ It will be discussed later in the paper.

from market volatility due to insufficient information that might influence price formation, suspending a SPAC listing and barring investors from trading its securities could unjustly impede larger SPACs from being listed on the LSE. It is likely to result in London largely missing out on the boom in SPAC listings. Therefore, the amendments in the FCA's Listing Rules aim to attract more SPACs to land in the LSE's Main Market. In Singapore, the SGX concluded its consultation process and officially finalised the amendments to its listing rules on 3 September 2021, thereby permitting the listing of SPACs.¹¹ This regulatory framework, known as the 'Singapore Framework', marks a significant milestone in the country's burgeoning financial markets. Shortly thereafter, Hong Kong also implemented changes to its listing rules, starting from 1 January 1 2022, referred to as the 'HK Framework'.¹² These adjustments were all made with the aim of attracting SPACs to their respective exchanges to compete with the US SPAC IPO market.

Against this backdrop, this article aims to bridge a significant gap in academic research concerning comparative legal analysis, specifically the limited amount of literature available on the regulation of SPAC in predominant common law jurisdictions, in particular the UK, Singapore and Hong Kong. The justifications for conducting

¹¹ SGX Group, 'SGX introduces SPAC listing framework' (2021). <https://www.sgxgroup.com/media-centre/20210902-sgx-introduces-spac-listing-framework>.

¹² HKEX, 'HKEX Welcomes First SPAC Listing' (2022). https://www.hkex.com.hk/News/News-Release/2022/220318news?sc_lang=en.

comparative research in these three jurisdictions are as follows. First of all, all these three jurisdictions share a common legal heritage rooted in English common law. This historical connection could result in strong similarities in their legal frameworks, making comparison in a specific legal area (i.e., corporate and financial law) more straightforward and meaningful. At the same time, the UK, Singapore, and Hong Kong are all predominant global financial hubs with a robust regulatory environment. Despite their shared legal heritage, each jurisdiction has developed their own unique regulatory approaches and requirements for SPAC listing. They compete for a greater share of SPAC listing with each other on the global stage, while all of them aim to take a slice of the lucrative SPAC business from the US. By comparing their respective legal frameworks and relevant advantages and limitations, one can gain insight into the various approaches regulators take to address investor protection in SPAC listings and select the most appropriate listing venue.

In order to meet this goal, the article provides an extensive examination of the present corporate listing rules and financial regulations governing SPACs in the three jurisdictions, in comparison to the legal framework in the US where most SPAC transactions are taking place. The article offers significant policy recommendations for regulators and governments in respective countries and emphasises the importance of maintaining the stability and competitiveness of their leading roles as world's financial hubs. In order to avoid the anticipated regulatory complexities that may be imposed on

future business combinations in the US, SPACs are likely to seek out potential targets in those common law jurisdictions. In addition, it is expected that US sponsors will also intensify their exploration of listing opportunities in those countries, which also holds greater significance in the global SPAC market development. The article begins by outlining the historical evolution and global rise of SPACs as a corporate finance innovation, emphasising their unique features and advantages. Then it analyses the regulatory environments for SPACs in the UK (Part II), Singapore (Part III), and Hong Kong (Part IV), examining the key legal and financial regulation that impact SPAC listings in these jurisdictions. In Part V, the article, from a comparative angle, explains how each jurisdiction has been proactively adapting to the dynamic nature of SPACs and addressing emerging regulatory challenges especially in the respect of investor protection. In Part VI, a conclusion will be made.

II. Analysis of practices and regulatory frameworks of SPAC transactions in the United Kingdom

A. The development and regulation of SPACs in the United Kingdom

In the UK, there was a significant rise in the occurrence of SPAC transactions from 2009-2011 shortly after the global financial crisis.¹³ During this period, sponsors were actively seeking alternative avenues for securing capital that was not readily accessible through private markets, and investors were also eager to explore alternative investment prospects. Nevertheless, after a series of significant failures, this booming trend experienced a

¹³ Paul Amiss, 'SPAC to the Future: The Recent Resurgence of UK SPACS and Latest Trends' (*Global Banking & Finance Review*, 2018). <https://www.globalbankingandfinance.com/spac-to-the-future/>

cooling down, leading to a decreased demand for this listing alternative.¹⁴ Later in 2016 and 2017, a resurgence was observed in the UK SPAC market.¹⁵ In 2017, 15 SPACs were listed on the LSE, raising a total of £1.7 billion.¹⁶ Since then, more than fifty SPACs have floated their shares on the LSE, raising a total of over £2 billion from British investors.¹⁷ During that period, certain major IPOs has influenced the UK capital market significantly, with the top four SPAC IPOs accounted for 99.1 per cent of the total SPAC IPO funds in 2017 alone.¹⁸ In particular, the debut of J2 Acquisition Holding on the LSE was a notable event, standing as the second-largest IPO in London's financial history.¹⁹ This significant milestone saw the company raise a substantial sum of \$1.25 billion during its IPO, marking the largest fundraising by a London-based SPAC since 2011.

Due to the growing popularity of SPACs in the US, the FCA, which oversees financial regulations in the UK, has implemented measures to ease restrictions on SPACs in order to attract them to the UK market. Prior to the alteration on the listing regulation, there was a significant deterrent for SPACs listed in London, which was Listing Rule 5.6.8G.²⁰

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ PwC, 'IPO Watch Europe 2017' (2017). <https://www.pwc.co.uk/audit-assurance/assets/pdf/ipo-watch-europe-2017-annual-review.pdf>.

¹⁷ London Stock Exchange, 'Special Purpose Acquisition Companies (SPACs)'. <https://www.londonstockexchange.com/raise-finance/equity/spacs>.

¹⁸ PwC, 'The rise of the SPACs in the IPO market' (2018). <https://pwc.blogs.com/templates/2018/02/the-rise-of-the-spacs-in-the-ipo-market.html>.

¹⁹ Norton Rose Fulbright, 'SPACs: The London alternative' (2020). <https://www.nortonrosefulbright.com/en-gb/knowledge/publications/94734f5e/spacs-the-london-alternative>.

²⁰ FCA, LR 5.6 'Reverse takeovers'; also see LR 5.1 'Suspending Listing'.

The provision typically mandate that any shell company (including a SPAC) would be compelled to undergo a suspension of listing when a potential acquisition target has been disclosed, or when information about the proposed acquisition has been prematurely revealed. This precautionary measure aims to safeguard investors from market turbulence caused by inadequate public information, which could disrupt the accurate determination of prices. As a consequence, during the whole merger and takeover process as well as the following preparations for new listing of the enlarged group, all investors are effectively restricted from selling their shares, any investors who disagree with the acquisition cannot divest their shares until the process is completed.²¹

In August 2021, after undergoing an FCA consultation and issuing a policy statement, revisions to the UK's Listing Rules were implemented.²² The modifications are intended to enhance market functionality, increase market integrity, and ensure a high level of consumer protection.

To make the UK a more attractive destination for SPAC listings, the FCA decided to provide increased flexibility to larger SPACs that incorporate specific features aimed at enhancing shareholder protection and the smooth operation of the UK's stock market. In

²¹ Ren and Lu (n 8) 22.

²² FCA, 'Investor protection measures for special purpose acquisition companies: Proposed changes to the Listing Rules' (2021). FCA, 'Investor protection measures for special purpose acquisition companies: Changes to the Listing Rules' (2021).

a nutshell, the updated listing standards allow the De-SPAC transaction without suffering the presumption of suspension during the listing process, provided that the SPAC meets certain conditions.²³ These conditions include the requirements on the £100m minimum capital threshold,²⁴ ring-fencing of proceeds,²⁵ time limit of two years for the acquisition (maximum of three years),²⁶ adequate approval process,²⁷ redemption option for investors,²⁸ and disclosure requirement.²⁹ Any SPAC that fail to meet these criteria would still pursue its listing, but will remain subject to the presumption of potential suspension. The FCA aims to implement its strategy to cultivate London as a more dynamic market, offering expanded investment opportunities for both investors and issuers to raise money in Britain under favourable conditions, while public shareholders maintain proper control and safeguards over their investment in SPACs.³⁰

²³ FCA, LR 5.6.18A.

²⁴ FCA, PS21/10, 1.14.

²⁵ FCA, Ibid.

²⁶ FCA, Ibid.

²⁷ FCA, Ibid.

²⁸ FCA, Ibid.

²⁹ FCA, Ibid.

³⁰ For example, the FCA originally proposed to set the minimum fundraising requirement at £200 million. After comprehensive consultation process, this requirement has been set at £100 million. The lower threshold of the capital requirement aims at better reflecting the size of SPACs and acquisition targets that are expected to be seen in the UK markets. See FCA, Policy Statement, PS 21/10.

B. Remarks on the SPAC regulations in the UK

Under the new regulations, the FCA is striving to strike a balance between positioning London as an attractive hub for larger SPAC listings and ensuring robust safeguards for public investors in the market. The FCA's updated Listing Rules is subject to the leading principle outlined in the Financial Services and Market Act 2000 stating that, "In considering what degree of protection for consumers may be appropriate", the FCA must have regard to "the general principle that those providing regulated financial services should be expected to provide consumers with a level of care that is appropriate having regard to the degree of risk involved in relation to the investment or other transaction and the capabilities of the consumers in question".³¹ The updated rules introduced increased flexibility and clarity, which should be well-received by various market participants. By way of an example, in November 2021, venture capital firm Hambro Perks explicitly pointed out that modifications to the UK Listing Rules were decisive in its determination to select London as its SPAC listing destination.³² These changes are expected to encourage a broader array of SPAC listings on the London market, ultimately providing a more diverse range of investment opportunities and alternative paths for privately held businesses to access the public stock market.

³¹ UK Financial Services and Markets Act 2000, Section 1C.

³² Emma-Victoria Farr, 'Hambro Perks launches first London SPAC under new listing regime' (*Reuters*, 23 November 2021). <https://www.reuters.com/markets/europe/hambro-perks-launches-first-london-spac-under-new-listing-regime-2021-11-23/>.

The appeal of SPACs can be attributed, at least in part, to the UK Government's emphasis on regulatory priorities such as promoting early-stage, high-growth companies to the UK's stock market and enhancing the involvement of ordinary retail investors.³³ In the post-Brexit era, the LSE is facing pressure from various directions, especially significant capital outflows from the UK. As an illustration, just one month after the 2016 UK European Union membership referendum took place, investors withdrew £5.7bn from UK equity funds and a further £470m from property funds.³⁴ Competitive threat by overseas SPACs is among the pressures that the policymakers concerned a lot. For instance, the UK electrical vehicle company Arrival has merged with a US SPAC company CIIG Merger Corp and subsequently listed on NASDAQ in New York.³⁵ Arrival orchestrated what is considered the largest stock market debut for a UK tech company, with an approximate valuation of \$13 billion (£9.5 billion) upon the completion of the deal.³⁶ Cazoo, the British online platform for pre-owned car sales, merged with AJAX I, a company listed on the NYSE, resulting in a valuation of the group at \$8 billion.³⁷ This achievement occurred just twenty months after the start-up's inception.

³³ HM Treasury (UK), 'Financing growth in innovative firms: consultation'.

³⁴ Simon Bowers, 'UK investment funds suffered £5.7bn outflows after Brexit vote' (*The Guardian*, 23 August 2016). <https://www.theguardian.com/business/2016/aug/23/uk-investment-funds-suffered-5-billion-pound-outflows-after-brexit-vote>

³⁵ Nick Carey, 'UK electric van startup Arrival to get U.S. listing at \$5.4 bln valuation' (*Reuters*, 18 November 2020). <https://www.reuters.com/article/ciig-merger-corp-ma-arrival-idUSL1N2I40XL>.

³⁶ Oscar Williams-Grut, 'Arrival becomes UK's biggest tech IPO with \$13 bn Nasdaq float' (*Yahoo News*, 25 March 2021). <https://uk.news.yahoo.com/arrival-e-bus-electric-vehicle-spac-nasdaq-listing-uk-tech-stocks-tesla-nikola-142145860.html>.

³⁷ Iain Martin, 'British Car Startup Cazoo Raises \$1 Billion From SPAC Merger' (*Forbes*, 27 August 2021). <https://www.forbes.com/sites/iainmartin/2021/08/27/british-car-startup-cazoo-raises-1-billion-from-spac-merger/>.

The UK exchange is eager to attract these highly sought-after “new economy” unicorns.³⁸ Therefore the UK government is troubled by this trend of UK companies moving overseas or the acquisition of major British corporations by foreign investors. The situation is further exacerbated by the recent commitments or intentions of Singapore and Hong Kong to liberalise SPAC regulations.³⁹ In general, the FCA’s updated strategy aims to offer increased flexibility to larger SPACs and their investors, eliminating a substantial deterrent to listing in London. While it is still uncertain whether the new SPAC regulations will result in a surge of SPAC listings on the London markets, it is intriguing to observe the SPAC developments in the UK in the near future. What is evident, though, is that the potential for the UK to emerge as the next prominent SPAC-hub in common law world hinges on the extent to which the FCA adopts a flexible and market-oriented approach when evaluating and approving forthcoming SPAC prospectuses and business combinations.

As discussed, the rationale behind the UK’s reforms on SPAC regulation is to attract a wider range of investors to the UK by waiving the suspension requirement and provide wider investor protection. It is not coincidental that the some of the UK SPAC listing rules bear similarities to the US regulation framework, as the FCA aims to replicate the

³⁸ Bobby V. Reddy, ‘Warning the UK on Special Purpose Acquisition Companies (SPACs): great for Wall Street but a nightmare on Main Street’ (2022) 22 *Journal of Corporate Law Studies* 1, 4.

³⁹ Lerong Lu and Alice Lingsheng Zhang, ‘Singapore’s SPAC Listing Regime: A Game Changer Or A Gap Filler?’ (2022) 50 *Securities Regulation Law Journal* 25, 35.

success of SPAC in the US market. Despite many of the investor protection regulations on SPACs mirror the US rules and guidance, distinctions still exist between the two jurisdictions. The first difference relates to the ring-fencing of proceeds. In the US, a SPAC must place all or substantially all of the IPO proceeds into a trust or escrow account, adhering to stringent investment criteria.⁴⁰ While the FCA tends to allow issuers with more leeway in achieving the segregation of the IPO funding. The SPAC is also required to enter into binding agreements with an independent third party to ensure the cash proceeds from the sale of its listed shares are protected and used exclusively for specific purposes. These include funding a reverse takeover, redeeming or repurchasing its own shares, returning funds to shareholders if a reverse takeover is not achieved within a predetermined period, or providing returns to shareholders in the event of the SPAC's liquidation. However, the SPAC can allocate a certain amount from this ring-fencing requirement to finance its operations, as long as this is disclosed in its prospectus.⁴¹ Regarding corporate approval procedures, the US regulation requires independent directors to approve the proposed acquisition, but ordinary directors are not explicitly excluded from the board discussion of this acquisition.⁴² In contrast, the UK regulation mandates that directors with conflicts of interests are all prohibited from any engagement of the acquisition. The sponsors and insiders of a SPAC listed in the US can participate in voting their shares during the general meeting for approving the acquisition. In contrast,

⁴⁰ SEC, 'Special Purpose Acquisition Companies, Shell Companies, and Projections' [Release Nos. 33-11265; 34-99418; IC-35096; File No. S7-13-22].

⁴¹ FCA, PS 21/10, Section 2.10.

⁴² SEC (n 40)

for a UK-listed SPAC, both sponsors and directors are barred from voting. However, they are allowed to cast a vote that forms part of the board approval process unless conflicts of interest preclude them from doing so. In addition, the FCA requires a ‘fair and reasonable’ statement to be made when directors have conflicts of interest, while there is no mandatory need for a US-listed SPAC as such. Nevertheless, it is a customary practice for US-listed SPACs to seek a fairness opinion in case of conflicts and disclose any conflicts in the proxy statement.⁴³ In terms of the redemption rights, in the US, it is mandatory that only those shareholders who oppose the proposed acquisition are offered the chance to have their shares in SPAC redeemed under the SEC’s rules,⁴⁴ while the FCA extended this option to all shareholders. Nevertheless, it is also a customary in the US for all shareholders, including those in favour of the anticipated acquisition, to possess the opportunity to exercise their share redemption rights prior to the completion of the acquisition.⁴⁵ Despite those distinctions between the US and UK regulatory frameworks that should be carefully considered by both issuers and investors, it still needs time to tell whether market trends in the future will incorporate these or any other additional protections to the extent that companies aim to imitate the well-established practices in the US or UK SPAC market.

⁴³ Sebastian R. Sperber and others, ‘Final Rules For UK -Listed SPACs’ (2021) Cleary Gottlieb. <https://www.clearygottlieb.com/-/media/files/alert-memos-2021/final-rules-for-uk-listed-spacs.pdf>.

⁴⁴ SEC (n 40)

⁴⁵ Ramey Layne and Brenda Lenahan, ‘Special Purpose Acquisition Companies: An Introduction’ (*Harvard Law Forum on Corporate Governance*, 2018). <https://corpgov.law.harvard.edu/2018/07/06/special-purpose-acquisition-companies-an-introduction/>

III. Analysis of practices and regulatory frameworks of SPAC transactions in Singapore

A. The development and regulation of SPACs in Singapore

With the aim of grabbing a greater share in the global SPAC market, the SGX introduced the new regulatory standards (Proposed Listing Framework for Special Purpose Acquisition Companies) that officially permits SPACs to be publicly listed on its mainboard from 3 September 2021.⁴⁶ This decision intends to solidify Singapore's status as a premier global financial centre, attract the listing of successful tech companies in the region (known as 'unicorns'), and meet the demand of local wealthy investors for higher-risk investment opportunities.⁴⁷ In addition, a practice note was provided to offer issuers detailed instructions on meeting the SGX's requirements for SPACs.⁴⁸ The updated rules were the outcome of an extensive consultation process lasting for several months, with feedback from a wide range of industry participants, such as banks, law firms, auditors, and venture capital funds.⁴⁹ The new listing framework boosts SGX's standing as a leading exchange in the Asia Pacific area and is projected to inject vitality into financial markets in Singapore. By embracing this innovative method of capital raising early on in Asia, SGX positions itself as a preferred platform for rapidly expanding Asian businesses. On 17 September 2021, the Singaporean government announced the establishment of a

⁴⁶ SGX, 'SGX introduces SPAC listing framework' (2021). https://links.sgx.com/FileOpen/20210902_SGX_introduces_SPAC_listing_framework_FINAL.ashx?App=Announcement&FileID=682425.

⁴⁷ Singapore Business Review, 'SPAC to attract more unicorns, tech players to list in SGX: EY' (2022). <https://sbr.com.sg/stocks/in-focus/spac-attract-more-unicorns-tech-players-list-in-sgx-ey>.

⁴⁸ SGX, 'Practice Note 6.4 Requirements for Special Purpose Acquisition Companies'.

⁴⁹ SGX, 'Consultation Paper: Proposed Listing Framework for Special Purpose Acquisition Companies' (2021).

significant investment fund totalling S\$1.5 billion (equivalent to US\$1.1 billion).⁵⁰ This initiative was made possible through the support and backing of Temasek Holdings, a prominent investment firm based in the city-state. The involvement of official investment fund is likely to foster growth and development in the stock market by providing financial support to promising companies and facilitating their entry into the public market.⁵¹

The newly released Mainboard regulations introduce several key requirements for SPAC issuers. For instance, The minimum market capitalisation is set at S\$150 million, determined by computing the issue price alongside the issued share capital post-offering.⁵² The regulations also mandate that at least 90 per cent of the gross IPO proceeds must be placed under the custody of an independent escrow agent until the business combination is completed.⁵³ Any interest or income generated from these funds should be available for the sole purpose of completing either a corporate combination or a liquidation. The escrow agreement must meet specific criteria, such as being governed by Singapore law and guaranteeing the return of funds to shareholders in case of liquidation or a vote against the proposed business combination. In terms of shareholding spread, at least 25 per cent of the total outstanding shares, excluding those held in treasury, must be

⁵⁰ Bloomberg, ‘Singapore plans \$1.1bn fund to boost stock market’ (17 September 2021). <https://www.thenationalnews.com/business/markets/2021/09/17/singapore-plans-11bn-fund-to-boost-stock-market/>.

⁵¹ Lerong Lu, ‘Singapore Exchange Embraces The Listing of Special Purpose Acquisition Companies (SPACs): Motivations, Advantages, and Regulations’ (2022) 43 *Company Lawyer* 296.

⁵² SGX, Listing Framework for SPACs, Chapter 2 Part III 210 (11) (b).

⁵³ *Ibid*, Chapter 2 Part III 210 (11) (i).

held by a minimum of 300 public shareholders.⁵⁴ Sponsors are obligated to maintain an equity stake of 2.5 to 3.5 per cent, with total ownership not surpassing 20 per cent of the overall issued share capital. Issue price must be set no less than S\$5 per unit, and any warrants or convertible securities attached to SPAC units can be traded separately. At the same time, a moratorium (also known as ‘lock up’ period) will be exerted on sponsors and any other pre-IPO investors from the time of listing to the finalise of acquisition.⁵⁵ Dilution arising from the conversion of warrants issued during the IPO is limited to 50 per cent of the SPAC’s share capital after the merger process, which encompasses the promote.⁵⁶ Subject to the SGX’s discretionary evaluation of appropriateness, total equity interests granted as compensation to sponsors should generally be no more than 20 per cent of the fully diluted share capital following the IPO of the blank-check company.⁵⁷

To provide wider and strengthened protection for global investors, the consultation paper not only establishes the minimum requirements for a SPAC to be listed on the SGX but also outlines the factors that the SGX will consider during the listing assessment process.⁵⁸ A non-executive list of pertinent factors will be considered by the SGX when evaluating the suitability of a SPAC for listing. As examples, factors such as the qualification of the issuer’s management team, the track record and personal reputation

⁵⁴ Ibid, Chapter 2 Part III 210 (11) (c).

⁵⁵ Ibid, Chapter 2 Part III 210 (11) (h).

⁵⁶ Ibid, Chapter 2 Part III 210 (11) (k).

⁵⁷ Ibid.

⁵⁸ SGX (n 49).

of SPAC sponsors, the alignment of interests among sponsors, management team, and other shareholders, or the issuer's business objectives and strategies, among others, are all considerations that SGX will take into account.⁵⁹

B. Remarks on the SPAC regulations in Singapore

The finance and property sectors have traditionally dominated the Singapore capital market, with IPOs in these areas making up 98 per cent of the total proceeds in 2019.⁶⁰

While this has been a strength for the SGX, relying exclusively on drawing IPO listings in the REITs sector is no longer sufficient.⁶¹

Compared with other major bourses, Singapore ranks as the world's fourth largest and influential financial centre, following long-term competitors like New York, London, and Hong Kong.⁶² However, there is still a significant gap between the Singapore capital market and the world's top one capital market. As of October 2021, the NYSE ranked first as the largest global stock exchange, boasting listed companies with a collective

⁵⁹ Ibid.

⁶⁰ Ben Chester Cheong, 'How the SGX Is Wooing Asia's Tech Listings' (2022) Singapore University of Social Sciences Blog. <https://www.suss.edu.sg/blog/detail/how-the-sgx-is-wooning-asia-s-tech-listings>.

⁶¹ REITs are investment instruments that pool funds into a portfolio of revenue-generating real estate assets such as shopping malls, offices, hotels, and industrial properties. Their primary goal is to generate income for REIT unit holders.

⁶² The Global Financial Centres Index 30.

https://www.longfinance.net/media/documents/GFCI_30_Report_2021.09.24_v1.0.pdf.

market capitalisation exceeding US\$28 trillion, while the SGX's market capitalisation was only about US\$700 billion in the same year.⁶³ When contrasting the SGX with the LSE, both exhibit similar frameworks, featuring mainboards catering to larger enterprises as well as sponsor-regulated boards for companies with a smaller size. Nonetheless, the LSE stands out as the world's oldest stock exchange and the largest one in Europe. As a result, it boasts the highest count of international listings and offers access to the most extensive and most liquid capital markets globally. In terms of listing and trading, the HKEX is the SGX's primary competitor. Although the HKEX and SGX are comparable in size, the HKEX holds an edge due to its more accessible route to Chinese capital and a more robust relationship with Mainland China, leading to greater liquidity to HKEX compared to the SGX. Therefore, due to the competitive environment, the Singapore government has taken a series of steps to make Singapore a more appealing listing destination for start-ups and technology companies based in Asia and internationally.⁶⁴ In 2017, the 'Startup SG' programme has been initiated by the Singapore Ministry of Trade & Industry (MTI) to foster networks and develop a vibrant start up ecosystem in the country.⁶⁵ Tech start-ups, particularly in Asia, have become the latest trend in the worldwide stock market, and they have found great success in SGX. Singapore currently holds the top position among ASEAN nations in terms of venture capital investment and

⁶³ CEIX Data, 'Singapore Market Capitalization'. <https://www.ceicdata.com/en/indicator/singapore/market-capitalization>.

⁶⁴ Cheong (n 60).

⁶⁵ Enterprise Singapore. <https://www.enterprisesg.gov.sg/grow-your-business/partner-with-singapore/innovation-and-startups/join-startup-sg>.

has served as the headquarters for ten unicorns.⁶⁶ The next step for the authority is to attract these technology companies to obtain a listing on the SGX. With the introduction of a brand new SPAC listing regime, the SGX now offers a compelling venue with favourable policy support for such companies. Indeed, the inclusion of SPACs into Singapore's stock market makes a substantial contribution to strengthening the relatively subdued equity capital market in the country to a certain degree. This move will also enhance the reputation and quality of public share offerings in Singapore, akin to the accomplishments of NASDAQ and NYSE. Furthermore, out of geographical considerations, Singapore will likely be able to attract technology start-up listings from ASEAN and South Asia who would have chosen a US listing previously. When Asian companies opt for a listing in Singapore, they can save effort and costs associated with adapting to financial accounting and corporate governance standards, in contrast to listing on US markets. This is because, unlike most US public companies whose ownership are dispersed from company management teams, in countries like Japan, Taiwan, and South Korea, the corporate structure is characterised by ownership concentrated among major shareholders or within a small group of family members.⁶⁷ Hence, should Singapore effectively position itself as a burgeoning SPAC hub in Asia, wealthy families and individual investors in the region may redirect some of their investments from international markets to Singapore, due to their similar investment landscape and culture.

⁶⁶ Toni Eliaz and Jamil Wyne, 'A close look at Singapore's thriving startup ecosystem' (*TechCrunch*, 2021). <https://techcrunch.com/2021/08/11/a-close-look-at-singapores-thriving-startup-ecosystem/>.

⁶⁷ Pascal Nguyen and Nahid Rahman, 'Institutional ownership, cross-shareholdings and corporate cash reserves in Japan' (2020) 60 *Accounting & Finance* 1175, 1177.

This redirection of capital flow could potentially counteract the prevailing trend of capital outflow from Asia to the US, allowing Asian economies to retain and accumulate more capital, which in turn contributes to their long-term economic prosperity.⁶⁸

Introducing SPAC listing model into Singapore has other potential advantages in the following aspects. First and foremost, this move is likely to infuse additional liquidity into the SGX. A strong and robust securities market, working in tandem with the banking sector, can foster a country's long-term economic progress and success.⁶⁹ When financial markets possess adequate liquidity, they facilitate the creation and circulation of money. SPACs are crafted to draw in sizable investments by engaging the expertise of financial and legal professionals, institutional sponsors, celebrities, and targeted companies, primarily from the high-tech industry.⁷⁰ Singapore is renowned for its resilient and stable financial system, conducive business environment, and promising political credibility, all of which provide an ideal groundwork for fostering a dynamic and appealing stock market.⁷¹ Nevertheless, Singapore encounters constraints due to its limited natural resources, land area, and population size. It lacks an extensive pool of investment funds found in top-notch financial centres across the globe like New York, Tokyo, and London,

⁶⁸ Lu and Zhang (n 39) 35.

⁶⁹ Bernard S. Black, 'The legal and institutional preconditions for strong securities markets' (2001) *UCLA Law Review* 781, 789.

⁷⁰ The Financial Times, 'The story behind SPAC's spectacular fall from grace'. <https://channels.ft.com/en/duediligence/the-story-behind-spacs-spectacular-fall-from-grace/>.

⁷¹ Lu (n 51), 296.

as well as a substantial indigenous technology sector similar to the industry clusters in Silicon Valley in California. Given these circumstances, a thoughtfully crafted SPAC model has the potential to position Singapore's stock market as a prosperous hub for interested parties across the Asia-Pacific region. Furthermore, Temasek Holdings, a government-sponsored investment company in Singapore, has been backing certain companies in its portfolio to consider a trial listing via domestic SPACs.⁷² The support from this highly respected entity is anticipated to greatly enhance market trust in local SPACs, drawing increased interest from international investors and technology start-ups to Singapore.

It is also worth mentioning that the SPAC regulation in Singapore have reached a balance among the interests of various participants and stakeholders, such as different groups of investors and sponsors. For instance, unlike the SEC's cautionary message to investors about blindly investing in SPACs solely based on celebrity involvement, the SGX has not yet issued a similar announcement.⁷³ One possible approach that SGX may adopt is limiting the eligibility of sponsors to exclude individuals such as movie stars, athletes,

⁷² David G. Barry, 'Temasek Portfolio Company Goes Public Via a SPAC' (*Markets Group News*, 23 August 2022). <https://www.marketsgroup.org/news/Temasek-IPO-SPAC>.

⁷³ The SEC's Office of Investor Education and Advocacy (OIEA) advised investors against making investment decisions regarding SPACs solely based on celebrity involvement. See SEC, 'Celebrity Involvement with SPACs—Investor Alert' (10 March, 2021). <https://www.sec.gov/oiea/investor-alerts-and-bulletins/celebrity-involvement-spacs-investor-alert#:~:text=The%20SEC's%20Office%20of%20Investor,variety%20of%20products%20and%20services.>

and singers, who have the potential to attract substantial investments into SPACs. However, in order to mitigate worries regarding potential misrepresentations, securities fraud, and other factors that could undermine investor welfare, the SGX has suggested a mandatory measure requiring sponsors to invest personally, using their own funds, a minimum of 2.5-3.5 per cent of equities in the SPAC or relevant units and warrants during the IPO process.⁷⁴ Such regulatory measure would lead to the positive alignment of the commercial interests between sponsors and public shareholders and encourage investors from various backgrounds to participate in the SPAC market, thereby fostering the capital market of Singapore.⁷⁵ For a game to attract a large and enduring player base, it requires well-made regulatory standards that serve the collective interests of most stakeholders. As Singapore intends to catch up with the best international practices in capital markets, the authority has adopted a more equitable approach to encourage broader participation in SPAC transaction in the city-state, rather than solely prioritising the protection of the interests of specific investors.⁷⁶ This approach is expected to yield two positive outcomes. Firstly, sponsors have less incentive to engage in fraudulent activities since any violations of the rubrics could result in a detailed review of listing regulations favouring the protection of their counterparts' interests. Consequently, future regulations governing the SPAC listing process are likely to converge towards similar standards applied to regular

⁷⁴ Lu (n 51) 296.

⁷⁵ Ibid

⁷⁶ Tan Tze Gay, 'SPACs In Singapore: A Look Into The Pioneering SGX—Listed SPACs' (2022) IFC Review. <https://www.ifcreview.com/articles/2022/june/spacs-in-singapore-a-look-into-the-pioneering-sgx-listed-spacs/>.

IPOs. In order to maintain market enthusiasm and avoid stringent oversight, most new sponsors in Singapore are expected to act with self-discipline to safeguard market integrity. Secondly, investors will exercise more caution when they recognise that regulators are not solely focusing on safeguarding their interests, but also considering the benefits of other parties involved. If regulators adopt a more precautionary SPAC framework, the market might become subdued as only a restricted group of sponsors would opt for the initiation of a SPAC in Singapore. Guided by the concept of the ‘invisible hand’ rather than excessive regulation, it is obvious that a more equitable SPAC regulation enables the market to take a leading role in listing and merger activities. With decreased information asymmetry between regulators and market participants, regulatory interventions known as the ‘visible hand’ may contribute to the resilience, transparency, and effectiveness of financial markets.⁷⁷

IV. Analysis of practices and regulatory frameworks of SPAC transactions in Hong Kong

A. The development and regulation of SPACs in Hong Kong

Renowned as the top IPO market globally, the HKEX stands as a significant player in the global exchange arena, overseeing diverse markets including stocks, commodities, bonds, and currencies, which allows it to attract investors from both the region and beyond entry into the vibrant markets of Asia.⁷⁸ The HKEX has been steadily expanding its influence as an international financial hub, as its influence in commodities trading is strengthened

⁷⁷ Lu and Zhang (n 39) 25.

⁷⁸ HKEX, ‘About HKEX’. https://www.hkexgroup.com/About-HKEX/About-HKEX?sc_lang=en.

by its ownership of subsidiaries like the London Metal Exchange (LME) and LME Clear Limited, establishing its global leadership in this sector. In 2018, HKEX further expanded its commodity portfolio with the establishment of the Qianhai Mercantile Exchange (QME) in mainland China.⁷⁹ The economic connections between Hong Kong and mainland China remain robust. As of the end of 2023, there were 1,447 companies from mainland China listed on the HKEX, constituting 55 per cent of all listed companies on the exchange.⁸⁰ Since the implementation of the ‘open door’ policy in 1978, China’s foreign investment framework has undergone significant development, heavily influenced by policy decisions.⁸¹ Hong Kong, as a special administrative region of China, serves as an entry point for individuals and businesses interested in engaging with the mainland’s economy, accessing Chinese investments, or trading in Chinese stocks. While Chinese government is promoting Chinese companies to thrive globally, the HKEX is striving to keep up with the policy recommendations of mainland China.

In March 2021, in order to further enhance the competitiveness of Hong Kong as a prime financial centre, HKEX and the Securities and Futures Commission (SFC) were requested

⁷⁹ Reuters, ‘HKEX’s commodity trading platform QME starts trading on Friday’ (19 October 2018). <https://www.reuters.com/article/us-china-derivatives-idUKKCN1MT0TQ>.

⁸⁰ HKEX, ‘Market Statistics 2023’. https://www.hkex.com.hk/-/media/HKEX-Market/Market-Data/Statistics/Consolidated-Reports/Annual-Market-Statistics/FY_2023-Annual-Market-Stat_Eng.pdf.

⁸¹ Wei Shen, ‘Dark Past, Grey Present or Bright Future? – Foreign Investors’ Access to China’s Telecommunications Industry and a Political Economy Analysis of Recent Industrial Policy Moves’ (2012) 13 *The Journal of World Investment & Trade* 513, 516.

to test the feasibility of creating a SPAC listing framework.⁸² In September 2021, HKEX released a public consultation document soliciting inputs on its plan of establishing a sound and effective listing framework for conducting SPAC transactions in Hong Kong. After a two month consultation, on 17 December 2021, HKEX decided to implement the proposed measures with slight modifications to incorporate the received feedback.⁸³ These new regulations will take effect on 1 January 2022. In fact, even before the local SPAC mechanism was announced, SPACs had already gained significant attention in Hong Kong as several affluent individuals from the city participated in the SPAC frenzy in New York. Adrian Cheng Chi-Kong, the Executive Vice-Chairman of the prominent local property firm New World Development, personally owned a SPAC that listed in the US. This SPAC later announced a merger with Prenetics, a Hong Kong-based unicorn specialising in genetic testing and diagnostics.⁸⁴ Other prominent individuals from the second generation of Hong Kong tycoons, including Richard Li, the younger son of the well-known property magnate Li Ka-shing, have also ventured into the SPAC trend, with

⁸² Reuters, 'Hong Kong considering allowing SPAC listings' (2 March 2021). <https://www.reuters.com/world/asia-pacific/hong-kong-considering-allowing-spac-listings-2021-03-02/>.

⁸³ HKEX, 'Exchange Publishes Consultation Paper on Special Purpose Acquisition Companies' (2021). https://www.hkex.com.hk/News/Regulatory-Announcements/2021/210917news?sc_lang=en.

⁸⁴ Chad Bray, 'Adrian Cheng's SPAC tie-up with Prenetics to help fuel acquisitions by Hong Kong diagnostics testing company' (*South China Morning Post*, 16 Sept 2021). <https://www.scmp.com/business/banking-finance/article/3148945/adrian-chengs-spac-tie-prenetics-help-fuel-acquisitions>.

three publicly traded SPACs.⁸⁵ Lawrence Ho, the son of gambling magnate Stanley Ho, also oversees a Chinese entertainment SPAC that is traded in the US.⁸⁶

Given the bourse has been involved in controversies related to fraudulent companies previously,⁸⁷ HKEX was extremely concerned about potential abuses that SPAC might bring to its capital markets. As a result, HKEX decided to take a highly cautious strategy towards SPAC regulation, even though it wanted to compete in the expanding global SPAC market. According to the consultation paper, the Hong Kong exchange was not capable of replicating the American style SPAC market structure because of Hong Kong's larger retail market and the US's reliance on private litigation to curtail unfair practises. It attributed De-SPAC failures in the US to the market being oversaturated with SPACs and having few viable De-SPAC targets.⁸⁸ In order to weed out inferior De-SPAC transactions, HKEX implemented stricter regulations on SPAC listings compared with the US, UK or Singapore.

⁸⁵ Forbes, 'Hong Kong—Based Billionaire Richard Li Plans To Set Up Third SPACs In US, Says Report' (19 February 2021). <https://www.forbesmiddleeast.com/billionaires/world-billionaires/richard-li-plans-to-set-up-third-spac-in-the-us-says-report>.

⁸⁶ Peggy Sito, 'Melco's Lawrence Ho to list SPAC in US \$150 million IPO in New York' (*South China Morning Post*, 30 June 2021). <https://www.scmp.com/business/companies/article/3139302/melcos-lawrence-ho-list-spac-us150-million-ipo-new-york>.

⁸⁷ Reuters, 'Hong Kong exchange proposes crackdown on back door listings' (29 June 2018). <https://www.reuters.com/article/hongkong-listing-idUKL4N1TV4D5>.

⁸⁸ HKEX, 'Consultation paper: Special purpose Acquisition Companies' (2021).

Prior to the De-SPAC deal, only skilled investors are permitted to subscribe to and trade the financial instruments relating to a SPAC, and they are subject to relevant approval, monitoring, and enforcement measures.⁸⁹ Every SPAC is required to distribute shares and warrants to a minimum of 75 professional investors, including 20 institutional professional investors, ensuring a broad base of investor participation and institutional involvement in the SPAC.⁹⁰ Experienced professional investors collectively must hold a minimum of 75 per cent of the special entity's securities.⁹¹ In contrast, retail investors, who are less experienced in most cases, are only permitted to buy and sell the securities of the successor businesses until the point when the De-SPAC deal finishes. The trading of SPAC shares and associated corporate warrants would occur independently from the initial offering date. To manage the potential volatility risks linked with trading SPAC warrants, supplementary measures will be implemented by the regulator to alleviate such risks. A limitation will be placed on the Promoter Shares, which cannot exceed 20 per cent of the total stocks allotted by the special corporate entity at its initial offering date.⁹²

SPAC promoters are also required to meet a series of specific suitability and eligibility criteria. Each special corporate entity must have at least one SPAC promoter who holds either a Type 6 license (advising on corporate finance) and/or a Type 9 license (asset

⁸⁹ For the meaning of 'Professional Investors', see HKEX 18B. 01.

⁹⁰ For the meaning of 'Institutional Professional Investors', see HKEX, Ibid.

⁹¹ HKEX 18B. 05, Rule 8.08(2).

⁹² Ibid, HKEX 18B. 29 (1).

management) issued by the SFC,⁹³ and a minimum of 10 per cent of the total of Promoter Shares. On a case-by-case basis, HKEX may consider granting a waiver, such as accepting a SPAC Promoter with an equivalent overseas accreditation to an SFC Type 6 and/or Type 9 license. In the event of any substantial alteration in the team of SPAC promoters, shareholders' approval via a special resolution (disregarding the SPAC promoter and their close associates) would be necessary. This ensures transparency and accountability in the decision-making process regarding SPAC corporate governance. Shareholders who vote against such a material change must have a redemption right made available to them.⁹⁴

In terms of the fundraising prerequisite, a SPAC from its initial share offering must secure a minimum of \$1 billion HKD (US\$128 million).⁹⁵ Such a high market capitalisation threshold excludes smaller acquisition targets that do not meet the minimum market capitalisation requirement. Individually assessed, HKEX is open to considering requests to grant rights to a SPAC promoter for acquiring additional ordinary stocks of the successor business after the ultimate competition the De-SPAC deal (referred to as 'earn-out rights'), on the condition that the combined total of ordinary stocks of the successor entity allotted under both the earn-out rights and entire promoter shares should be no more

⁹³ Ibid, HKEX 18B. 10 (1).

⁹⁴ Ibid.

⁹⁵ Ibid, 18B.08.

than 30 per cent of the total shares issued by the SPAC during its initial listing.⁹⁶ Since the promoters of the special corporate entity may not be engaged with the management or operation of the successor business, they exercise no influence over the corporate's commercial performance. In this regard, the HKEX permits the use of the stock price as a performance metric for such stocks associated with the earn-out rights. The share price performance targets must meet the following two criteria: firstly, the target stock price should be at least 20 per cent greater than the issue price of the shares of the special corporate vehicle at the event of the SPAC's public offering; and secondly, the target can be achieved by surpassing a pre-determined volume-weighted average price of the successor business's stocks for a minimum of 20 trading days within a continuous 30-day trading period. The evaluation period should commence no earlier than six months after the listing of the successor business.⁹⁷

In the phase of the De-SPAC deal, the heir company is also subject to a series of listing standards, such as appointing at least one sponsor to assist with the process including due diligence, fulfilment of all the market capitalisation requirements, and relevant eligibility assessments of De-SPAC targets.⁹⁸ All PIPE (Private Investment in Public Equity) investors must qualify as Professional Investors.⁹⁹ A SPAC must secure designated

⁹⁶ Ibid, HKEX 18B. 29 (1) Note 1 (a).

⁹⁷ Ibid, HKEX 18B. 29 (1) Note 1 (b).

⁹⁸ Ibid, HKEX 18B.37 (1).

⁹⁹ Ibid, HKEX 18B. 40.

funding from the PIPE investors who should be independent third-parties, tailored to accommodate De-SPAC targets of varying sizes. Furthermore, there must be substantial investment from independent sophisticated investors.¹⁰⁰ Specifically, a minimum of three sophisticated investors are required to supply at least 50 per cent of the funding in the previously mentioned independent PIPE venture. These sophisticated investors are required to be either asset management firms managing assets totalling at least HK\$8 billion or funds with a minimum fund size of HK\$8 billion.

Shareholder approval for De-SPAC transactions is a prerequisite, requiring a general meeting for the SPAC's shareholders.¹⁰¹ Similar with the regulations in the UK, shareholders with a considerable stake in the transaction are required to refrain from voting. Such measure helps ensure fairness in the transaction and is likely to prevent conflicts of interest. Outgoing shareholders and any close parties are allowed to vote in support of the deal only under the condition that the controlling shareholder would lose control as a result of dilution caused by the issuance of extra stocks to the incoming controlling stockholder. Shareholders of the special corporate entity can only redeem their shares if they vote against the motion in the De-SPAC agreement. Concerning forward-looking information, the current criteria for forward-looking statements in the public offering document of any De-SPAC deals must meet exactly the same standards as those

¹⁰⁰ Ibid, HKEX 18B. 42.

¹⁰¹ Ibid, HKEX 18B. 53.

mandated for an ordinary IPO in Hong Kong. This entails acquiring complete accredited reports and statements from the qualified accountant and the sponsor of share public offering. In terms of the open market for the successor entity's listed shares, it is mandatory for the corporation to ensure a sufficient distribution of its shares to a minimum of 100 professional investors. This requirement differs from the usual minimum of 300 shareholders needed for a new listing under rule 8.08(2).¹⁰²

B. Remarks on the SPAC regulations in Hong Kong

As explained, Hong Kong generally adopts a higher threshold on SPAC listing compared with its two common law counterparts. Among all the strict requirements, the most controversial one being that retail investors are excluded from the SPAC market. This is driven by HKEX's belief that their participation would contribute to market volatility.¹⁰³ According to this theory, the involvement of retail investors in speculating on SPACs led to an increase in share prices beyond the IPO price, which consequently diminished the redemption rights of shareholders who could only operate their redemption rights at the original IPO price of the SPAC units, rather than the inflated market price.¹⁰⁴ The US also contemplated a similar ban on retail investors in the SPAC market, as evident in the

¹⁰² Ibid, HKEX 18B. 65.

¹⁰³ Enoch Yiu and Chad Bray, 'Hong Kong proposes SPAC listings, restricts to professional investors' (*South China Morning Post*, 17 September 2021). <https://www.scmp.com/business/banking-finance/article/3149189/hong-kong-proposes-spac-listings-restricts-professional>.

¹⁰⁴ Allison N. Swecker, 'To SPAC or Not to SPAC: Liberalizing the Regulation of Capital Markets' (2023) 56 *Vanderbilt Journal of Transnational Law* 579, 606.

Congress Bill H.R. 5913.¹⁰⁵ Although the purpose of this action is to safeguard inexperienced investors from engaging in risky ventures and incurring losses, the enactment of H.R. 5913 or comparable measures seems to be excessively paternalistic. It could be contradictory to the government's commitment to a free market economy. At the same time, this bill seems to target wrongfully on investors by excluding them from market engagement, while it should have been focusing on penalising the fraudulent activities which lead to an unfair market environment.¹⁰⁶ As illustrated by a recent scandal involving a publicly traded company, Nikola Corporation, the SEC announced that Nikola, formed through a SPAC operation, has consented to a \$125 million settlement following charges of defrauding investors.¹⁰⁷ The company faced allegations of providing misleading information concerning its products, technological developments, as well as the commercial prospects. This settlement follows the SEC's previous legal action against Trevor Milton who is the corporate founder, former CEO, and Executive Chairman. In case like this, the blame should be directed towards individuals like Trevor Milton, rather than retail investors.¹⁰⁸ In this regard, it still needs to be considered whether the exclusion of retail investors is an ideal way to protect them.

¹⁰⁵ H.R.5913 - Protecting Investors from Excessive SPACs Fees Act of 2021, suggests barring investment advisers, brokers, and registered representatives as defined by the Exchange Act from advising non-accredited investors to invest in SPAC securities unless the SPAC's promote or other economic compensation is below 5%, or unless the SPAC complies with specific disclosures required by the SEC.

¹⁰⁶ Swecker (n 104) 606.

¹⁰⁷ SEC, 'Nikola Corporation to Pay \$125 Million to Resolve Fraud Charges' (2021). <https://www.sec.gov/news/press-release/2021-267>.

¹⁰⁸ Swecker (n 104) 606.

In terms of HKEX's eligibility requirement for SPAC sponsors, the SPAC's credibility is enhanced by the inclusion of such a relative high eligibility threshold. Under the influence of a renowned sponsor with impressive credentials, a SPAC is more likely to demonstrate enhanced stock performance subsequent to the De-SPAC deal. This is due to the fact that the associated costs of establishing, financing, and managing the SPAC are typically lower. Moreover, a reputable sponsor's endorsement of the De-SPAC transaction can alleviate concerns about information asymmetry, facilitating a mutually beneficial agreement for both the special corporate entity and its target company.¹⁰⁹ At the same time, maintaining a favourable reputation is essential for sponsors as it is integral to building and sustaining business connections, which can be difficult to repair once harmed. Consequently, esteemed SPAC sponsors are motivated to pursue deals that enhance their business portfolios, ensuring the continuous attraction of new business opportunities. These findings tend to indicate that sponsor eligibility assessments can protect investors by minimising the effect of equity dilution and ultimately resulting in higher financial returns.¹¹⁰

While HKEX's stringent stance on SPACs aims to combat fraud, prevent low-quality companies from being listed through reverse mergers, and safeguard investors, some

¹⁰⁹ Klausner and others (n 3) 256.

¹¹⁰ Ibid.

institutional investors have voiced concerns that these requirements may hinder the SPAC market from flourishing in Hong Kong. As an illustration, the restriction on retail investors from participating in the secondary market until the completion of the De-SPAC deal could potentially lead to a severe liquidity shortage in the city's SPAC market. The high threshold to get listed through SPACs in Hong Kong indeed prolongs the process, thereby diminishing the attractiveness of SPACs as a quicker and cheaper alternative to the conventional share listing process. Consequently, the stricter regulatory framework would result in a limited number of SPACs to be listed on the HKEX, as the emerging asset class may face challenges in gathering the same level of enthusiasm observed in other global stock exchanges.¹¹¹

V. Comparative analysis of SPAC regulatory approaches in the UK, Singapore, and Hong Kong

In an era marked by increased geopolitical unrest and the resurgence of unpredictable financial markets, where Brexit and the ongoing US-China trade tensions consistently make news, global stock exchanges are exploring strategies to enhance their participation in IPOs. For example, China has undergone tremendous reform over its IPO regulations, transitioning towards the registration-based IPO system.¹¹² Relevant reforms measures on securities regulation have indicated the state's determination to further liberalise the

¹¹¹ As of July 2022, HKEX has seen the listing of only two SPACs: Aquila Acquisition Corp in and Vision Deal HK Acquisition Corp. See Jonathan Breen, 'SPACs get off to slow start in Hong Kong' (*Asia Money*, 13 July 2022). <https://www.asiamoney.com/article/2a95r6xa319ml5pgshbeo/northeast-asia/spacs-get-off-to-slow-start-in-hong-kong>.

¹¹² Fa Chen and LijunZhao, 'The comprehensive implementation of the registration-based system of IPO regulation in China: practice, progress, problems and prospects' (2024) 32 *Asia Pacific Law Review* 1, 2.

nation's stock market.¹¹³ Concurrent with the fierce competition in the traditional IPO markets, major stock exchanges worldwide are swifiting their focus on the upcoming generation of companies in the new economy to go public through new listing regimes like SPACs.¹¹⁴ SPACs experienced remarkable growth starting from 2020, primarily in the US markets.¹¹⁵ This trend has prompted other jurisdictions, including three predominant common law jurisdictions, the UK, Singapore, and Hong Kong, to adapt regulatory frameworks to facilitate SPAC listing regime into their capital market. Among these three jurisdictions, the FCA of the UK revised the regulation for an easier listing of SPACs in the country, with the two Asian countries intriguingly to be analysed together. On the one hand, both Singapore and Hong Kong responded promptly to the recent growth of corporate and financial innovations in the US in order to secure a portion of the SPAC listing market. On the other hand, Singapore and Hong Kong have a long history of competing to attract more listing business to their respective share markets, often by introducing new entrepreneur and investor friendly regulations, such as the recent adoption of the dual-class share structure.¹¹⁶ In addition, the two jurisdictions share a

¹¹³ Shunyu Chi, 'The kite on a string: state power and the Chinese IPO mechanism on the path to liberalization' (2023) 31 *Asia Pacific Law Review* 308.

¹¹⁴ Chris Bartoli, Ivy Wong and Nick O'Donnell, 'The battle for listings' (2020) *International Financial Law Review* 40.

¹¹⁵ Sanghamitra Saha, '2020 Has Been the Year of SPAC IPOs: Here Are the Prominent 4' (*Nasdaq*, 28 December 2020). <https://www.nasdaq.com/articles/2020-has-been-the-year-of-spac-ipos:-here-are-the-prominent-4-2020-12-28>.

¹¹⁶ In 2018, HKEX revised its regulations to allow companies in emerging and innovative sectors to use a dual-class structure for listing, attracting major Chinese technology firms like Xiaomi and Alibaba. Following that, SGX also introduced similar regulations that same year, reflecting the growing popularity of these funding structures among technology companies. See Reuters, 'Singapore details rules for offering dual-class shares, follows Hong Kong' (26 June 2018). <https://www.reuters.com/article/sgx-regulation-idUSL4N1TS3E3>.

common legal heritage, resulting in notable similarities in the legal treatments and regulatory approaches of financial markets innovations and relevant corporate transactions.¹¹⁷

The decision of where companies opt to go public is fundamentally influenced by various factors, with primary considerations likely revolving around valuation and liquidity. Additionally, factors such as the robustness of the regulatory framework, the level of analyst coverage, and the size of the investor base also plays significant roles. Other considerations include the cost of listing, the convenience of geography location, and the efficiency or speed of the listing process.¹¹⁸ Therefore, stock exchanges and their regulators in the UK, Singapore and Hong Kong have been updating their regulations on SPAC and striving to establish themselves as credible alternatives to the US, which used to be the leading SPAC IPO destination. This has led to the emergence of competitors challenging the existing players. A new competitive landscape is evolving among these three exchanges, marked by issuer-friendly adjustments to rules and requirements, aimed at attracting upcoming unicorns and the diverse array of companies engaged in developing next-generation technologies.

¹¹⁷ Umakanth Varottil, ‘Comparing the SPAC Frameworks in Singapore and Hong Kong’ (2022) Oxford Business Law Blog. <https://blogs.law.ox.ac.uk/business-law-blog/blog/2022/06/comparing-spac-frameworks-singapore-and-hong-kong>.

¹¹⁸ Bartoli and others (n 114) 40.

The regulatory approach to financial market is driven by two main objectives: facilitating efficient fundraising for companies and ensuring the protection of investors and market integrity.¹¹⁹ However, the unique structure of SPACs poses a challenge as it divides the ordinary process of taking a corporation public into two separate but related stages. The first stage involves the initial share offering of SPAC as the fundraising vehicle, the process of which is relatively simpler than that for a conventional IPO. The second stage involves the execution of transactions relating to the De-SPAC deal, which falls within the jurisdiction of laws related to mergers and acquisitions (M&A) and provides more limited investor protection mechanisms compared to a standard IPO. This structure creates opportunities for regulatory arbitrage, which may undermine the interests of the general public investors.¹²⁰ Given this tension, the UK, Hong Kong, and Singapore regulatory frameworks have been introduced against the backdrop of mounting scrutiny from market regulators. This development coincides with increased concerns raised by the SEC in the US regarding SPACs. These concerns highlight potential risks for investors, such as conflicts of interest and significant dilution. In response, tightened regulations have been proposed by the SEC, including extensive disclosure requirements.¹²¹ The LSE, SGX and HKEX, in addition to considering the SEC's stance

¹¹⁹ Iris H-Y Chiu, 'Fintech and Disruptive Business Models in Financial Products, Intermediation and Markets - Policy Implications for Financial Regulators' (2016) 21 *Journal of Technology Law & Policy* 55.

¹²⁰ Umakanth Varottil, 'Special Purpose Acquisition Companies (SPACs): A Discordant Tale of Two Asian Financial Centres' (2023) 18 *Capital Markets Law Journal* 202.

¹²¹ SEC, 'SEC Proposes Rules to Enhance Disclosure and Investor Protection Relating to Special Purpose Acquisition Companies, Shell Companies, and Projections' (30 March 2022). <https://www.sec.gov/news/press-release/2022-56>.

on US SPACs, also examined existing regulatory standards and latest market trends in the US where most SPAC practices occur. These regulations and practices have evolved over several decades of negotiations and development between regulators and market participants, originating from the listing of blank check companies as penny stocks in the 1980s, which were involved in pump-and-dump schemes.¹²² By drawing upon this experience, the LSE, SGX and HKEX were able to adopt regulations that were generally familiar to market participants.

The inherent attributes in SPACs could present several potential risks for investors. For instance, sponsors may feel compelled to proceed with suboptimal acquisitions within the pre-determined timeframe to secure their remuneration. Subsequently, investors may face an unwarranted dilution of their interests if sponsor fees, often remunerated in the form of SPAC shares, are deemed excessive. At the same time, investors' dilution concerns may be exacerbated further by the issuance of warrants alongside IPO shares. In response to these potential risks of investors, the regulatory frameworks governing SPACs across the three jurisdictions have incorporated analogous protective measures. For example, to avoid rush acquisition, sponsors are restricted from using their voting rights tied to shares acquired through their fees when seeking a shareholder approval for the acquisition of the target company. Moreover, sponsors are required to maintain a minimal level of equity

¹²² Ross Greenspan, 'Money for Nothing, Shares for Free: A Brief History of the SPAC' (2021). <https://dx.doi.org/10.2139/ssrn.3832710>.

participation in the SPAC and retain their shareholdings for a period of time post-acquisition. To avoid the excessive dilution of investors' interests, stringent caps have been imposed on the quantity of shares that sponsors can receive and the maximum level of dilution stemming from warrant issuances.

However, based on the different regulatory philosophies, there are also distinctions in the regulatory approaches among the three common law countries. In the UK, the FCA has taken a different approach from the prevailing international legal frameworks that govern the blank-check companies, in particular, those standards concerning the voting rights of sponsors and other important stakeholders such as anchor investors.¹²³ The latest regulatory reform in London bans sponsoring stockholders and anchor investors, who have invested their at-risk capital in a SPAC, from participating in the voting process for acquisitions.¹²⁴ This divergence from the US listing venues, such as NYSE and NASDAQ, is noteworthy and it may have an impact on London's competitiveness in the SPAC market, as these voting restrictions are not mandatory in other exchanges.¹²⁵ However, the broader SPAC reforms in the UK align with the global movement toward ensuring greater protections for public investors in SPAC transactions. As an illustration, FCA aims to encourage consistent disclosure in SPAC prospectuses. SPAC sponsors are

¹²³ Daniele D'Alvia, Paul Davies KC, Ferdinand Mason and Milos Vulcanovic, 'The UK SPAC Reform: Preliminary Remarks' (6 Sept 2021) Oxford Business Law Blog. <https://blogs.law.ox.ac.uk/business-law-blog/blog/2021/09/uk-spac-reform-preliminary-remarks>.

¹²⁴ FCA, 'Policy Statement: Investor protection measures for special purpose acquisition companies: Changes to the Listing Rules' (2021).

¹²⁵ D'Alvia and others (n 123).

required to provide investors with sufficient information about potential forward-looking scenarios, like the expected dilution of equity interests, post-acquisition corporate governance, disclosure of sponsors' compensation plan, and any prospective funding needs, including possible PIPE or convertible bond offerings. However, it is important to acknowledge that these specifics may not be fully ascertainable at the time of the special corporate entity's initial share public offering. Therefore, it is necessary for the FCA to adopt a practical approach and acknowledge that pre-IPO disclosures may serve as illustrations rather than definitive information since most of these aspects are subject to negotiation during the business combination stage and may differ from the initial proposals outlined in the prospectus.¹²⁶

The SGX has basically mirrored the US practice regarding the SPAC operation and regulation, while launching its own regulatory regime for the innovative listing process. This seems to be evident from the strong industry support in Singapore for a US-based approach during the consultation stage, as market participants are familiar with the US practice. The SGX has been receptive to the market's plea as it aims to steer the sponsors of SPACs and relevant participants and investors away from the American markets to Singapore, particularly targeting companies involved in De-SPAC transactions. The SGX

¹²⁶ Ibid.

has been attentive to market responds and has taken on a pragmatic approach in designing its SPAC framework.¹²⁷

Hong Kong, by contrast, has intentionally distanced itself from the US approach. The HKEX's consultation paper has acknowledged the significant differences between the American and Hong Kong equity markets, indicating that Hong Kong has a higher proportion of retail market participation compared to the US. Moreover, the US regulatory system prioritises investors' capacity to pursue legal recourse (e.g., securities class action) to address abusive corporate practices and other behaviours that is harmful to investors' interests. As a result, directly transplanting the American regime to Hong Kong might not be in the best interests of local investors, nor is it suitable or beneficial for maintaining market quality. HKEX admits that its current reform proposal is likely to produce a more stringent listing framework for innovative corporate entities than that of the US.¹²⁸ The timing of the consultation also takes into account the recent developments in the US, such as the deceleration in SPAC listings during mid-2021.

The securities regulators in Hong Kong have lately implemented a series of measures to combat the misuse of shell entities for the purpose of conducting reverse takeovers and backdoor listings.¹²⁹ These measures aim to address regulatory concerns regarding suitability requirements and possible insider trading activities arising from rumours and

¹²⁷ Lu and Zhang (n 39) 25.

¹²⁸ HKEX Consultation Paper, 8.

¹²⁹ HKEX, Ibid 26-2.

speculation about potential targets. In general, Hong Kong's approach could be best described as prioritising 'quality' over 'quantity'.¹³⁰

In a nutshell, to establish a solid foundation, the regulatory authorities from London, Singapore, and Hong Kong all have relied on the US regulations and practices while formulating the frameworks for their own.¹³¹ This approach aims to incorporate familiar practices that resonate with the market and enable the LSE, SGX and HKEX to be attractive listing destinations for SPACs. By emphasising the compulsory nature of the UK, Singapore and Hong Kong frameworks, the authorities have ensured that all market participants are guaranteed a basic level of protection as outlined in their rules. Simultaneously, all the three countries have taken steps to enhance investor protection measures and tackle recognised concerns associated with the SPAC structure, including conflicts of interest and dilution issues. However, the implementation of the SPAC framework and the subsequent listing of SPACs in these three jurisdictions represent only the initial stage in the ongoing process of establishing a robust SPAC market in London, Singapore, and Hong Kong. The likelihood of the three common law countries becoming significant SPAC hubs globally depends on the authorities' willingness to adopt a flexible and market-oriented approach, as well as their ability to fine-tune their regulations through the ongoing process.

¹³⁰ Varottil (n 120).

¹³¹ Walter Wan, 'SPAC Regulation In Singapore and Hong Kong: Designing A Regulatory Framework For New SPAC Markets' (2022) NUS Law Working Paper.

VI. Conclusion

The comparative legal analysis of SPAC listing regimes in the UK, Singapore, and Hong Kong reveals a fascinating landscape of common law jurisdictions adapting to the evolving dynamics of financial markets. Each jurisdiction brings its unique strengths and considerations to the table, reflecting their commitment to investor protection, market integrity, and capital formation.

There is no denying that the US stock exchanges will continue to be an appealing choice for SPAC listing due to the robustness of the US capital markets and the sector expertise prevalent among investment banks and investors. However, with the modifications in listing regulations for the leading bourses in London, Singapore, and Hong Kong, the rationale for listing in the US may diminish significantly. As these three exchanges expand and mature, they might emerge as a more fitting option for regional grown technology companies. This could offer the upcoming generation of unicorns a compelling motivation to go public much closer to their home base.¹³² As regulations and stock exchanges undergo changes, we are witnessing the start of a transformation in the choices accessible to businesses and their preferred listing locations. The remarkable expansion of the SPAC market in these three common law jurisdictions is expected to persist, positioning the UK, Hong Kong and Singapore exchanges as significant rivals to New York in the years ahead.

¹³² Bartoli and others (n 114) 40.

The UK, with its well-established financial ecosystem, showcases a robust regulatory framework that combines flexibility and transparency. Its embrace of SPAC listings, guided by the FCA, not only facilitates capital raising but also safeguards the interests of investors through stringent disclosure requirements. Singapore, on the other hand, has strategically positioned itself as a regional hub for SPAC activity. The city-state offers a competitive regulatory regime, attracting both local and international players. With its focus on innovation and efficiency, Singapore has positioned itself as an attractive destination for SPAC listings in Asia. Hong Kong, with its long history of financial excellence, has adopted a cautious yet pragmatic approach to SPACs. Its regulations prioritise investor protection while providing flexibility for SPAC sponsors. The HKEX has paved the way for SPAC listings, enhancing its status as a global financial centre.

As the global financial landscape continues to evolve, these jurisdictions remain dynamic in their efforts to strike a balance between fostering capital formation and safeguarding market integrity. The comparative analysis of their SPAC listing regulations underscores the importance of adaptability and foresight in maintaining competitiveness on the world stage. The study of SPAC listing regulatory frameworks in London, Singapore, and Hong Kong not only provides valuable insights into the legal frameworks of these jurisdictions but also highlights the broader trends shaping the global financial market. These jurisdictions exemplify the adaptability and innovation inherent in the common law

tradition, ensuring that they remain at the forefront of financial market evolution in the years to come.

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