Singapore SPAC framework and opportunities

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Special purpose acquisition companies (SPAC), also known as blank cheque companies, have no commercial operations, revenue-generating businesses or assets. They are formed to raise capital through initial public offerings (IPO) on securities exchanges with the sole objective of acquiring another company for a business combination, also known as a de-SPAC transaction. The aim is for the company emerging from the business combination to continue as a listed company on the securities exchange.

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On 3 September 2021, the Singapore Exchange (SGX) revised its listing rules to allow the listing of SPACs on the SGX-ST Mainboard by way of a primary listing. This follows from its earlier public consultation seeking comments on the proposed requirements for the SGX SPAC.

An SGX SPAC is required to meet a minimum SGD150 million (USD111 million) market capitalisation and at least 25% of the total number of issued shares must be held by no fewer than 300 public shareholders at IPO. There must be a minimum IPO price of SGD5 a share, and at least 90% of the gross IPO proceeds must be placed in escrow pending the acquisition of a target company. SGX SPACs also have to satisfy certain other existing admission criteria for a primary listing on the SGX Mainboard.

Founding shareholders and the management team of an SGX SPAC must hold a minimum value of equity securities between 2.5% and 3.5% at IPO, depending on the SPAC's market capitalisation. Moratoriums will apply at various stages on the shareholdings of the key parties such as the founding shareholders, the management team and controlling shareholders of the resulting issuer, as well as their respective associates.

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The business combination must be completed within 24 months from the date of the SGX SPAC's listing, with an extension of time of up to 12 months if a binding agreement for the business combination has been signed before the end of such 24-month period. If a SPAC has not entered into an agreement for the business combination by the end of the 24-month period, the SPAC may seek an extension of time from the SGX and its shareholders to complete the business combination, providing a compelling reason for the additional time required.

The business combination must comprise an initial business or asset with a fair market value of at least 80% of the amount held in the escrow account, and result in an identifiable core business that the resulting issuer has a majority ownership and/or management control. The resulting issuer must meet initial listing requirements for an entity seeking a listing on the SGX Mainboard. The business combination can only proceed with the approval of a simple majority of the SGX SPAC's independent directors as well as shareholders. The founding shareholders, the management team and their associates are not permitted to vote on the combination with respect to their sponsor's holding.

An accredited issue manager has to be appointed as the financial adviser on the combination, and an independent valuer must be appointed to value the target company in specified circumstances (for example, where the business combination is not undertaken together with a contemporaneous subscription by or placement of equity securities of the issuer to institutional or accredited investors, etc.). The shareholders' circular on the business combination must contain prospectus-level disclosures on information about the resulting issuer. The SPAC may be liquidated if the business combination is not completed within the permitted timeframe or if there are material changes in the profile of the founding shareholders or management team critical to the successful founding of the SPAC or successful completion of the business combination, unless the independent shareholders pass a special resolution.

SPACs are not new to Indian businesses, as witnessed by the landmark USD8 billion SPAC transaction in the US between India's ReNew Power and RMG Acquisition Corporation II. The new SGX framework permits both India-focused SPAC listings and combinations of India-based businesses, and provides an attractive alternative to US listings.

With global investors and premier startups urging the Indian government to allow companies to list overseas, and reports suggesting that the Indian government may be considering drawing up listing rules for overseas listing, the timing may well be right for Indian unicorns and high-growth companies to consider a SPAC listing in Singapore.

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