Consultation Paper

Proposed Listing Framework for Special Purpose Acquisition Companies

31 March 2021

Singapore Exchange

Responding to this Consultation Paper

Singapore Exchange Regulation invites comments on this consultation paper.

Please send your responses through any of the following means:

Mode	Correspondence Details
Email	listingrules@sgx.com
Mail	Singapore Exchange Regulation 11 North Buona Vista Drive #06-07, The Metropolis Tower 2 Singapore 138589 (Attention: IPO Admissions)

Responses should include a summary of the major points, a statement of interest and reasoned explanations. Please identify the specific policy or rule proposal on which a comment is made. Please also include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of this consultation paper or other policy or rule proposals.

Comments are requested by **28 April 2021**.

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I Introduction

1 Scope of this Consultation Paper

1.1 This consultation paper seeks feedback, views and suggestions from the public on SGX's proposal to introduce a primary listing framework for Special Purpose Acquisition Companies ("**SPACs**") in Singapore, to list on the Mainboard of Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**SPACs Framework**") and lays out possible proposals and safeguards for minority investors.

1.2 Part I of this paper sets out the background, Part II discusses whether the SPACs Framework should be introduced and Parts III to VI considers the key proposals under the SPACs Framework.

2 Background

2.1 On 6 January 2010, SGX issued a public consultation paper on "*Proposed Amendments to the Listing Rules*" (the "**2010 Consultation**"). The 2010 Consultation sought public feedback on proposed amendments to the SGX-ST Listing Rules (Mainboard) ("**Mainboard Rules**"), among others, to introduce and facilitate the listing of SPACs on the Mainboard of SGX-ST. Following the feedback at that time, SGX determined that it was not an opportune time to introduce the listing of SPACs.

2.2 Given market developments in United States ("**U.S.**") SPACs listings in recent years and potential merger and acquisition opportunities in the Asia Pacific region, SGX received renewed and increasing market interests to introduce SPACs in the Singapore capital market. In particular under current economic environment, SGX is of the view that the introduction of SPACs may generate benefits to capital market participants (as elaborated in **paragraph 3 of this Part I**) and become a viable alternative to traditional IPOs for fund raising in Singapore and the region. Accordingly, SGX is consulting on a SPACs Framework to introduce a new listing vehicle to the Singapore market. In formulating the proposals set out herein, we have carefully considered the feedback from the 2010 Consultation, and have sought a balanced regime that effectively safeguards investors' interests against certain concerns posed by the unique features of SPACs, while meeting the capital raising needs of the market.

2.3 SGX referred the matter to the Listings Advisory Committee ("**LAC**") for advice in January 2021. After careful consideration, the LAC advised that it was in favour of permitting the listing of SPACs on the Mainboard of SGX-ST, subject to the appropriate safeguards. The LAC has expressed its views on certain safeguards. SGX has adopted LAC's advice in the formulation of this consultation paper; the advice of the LAC is set out in Appendix 1.

2.4 SGX has been engaging with various stakeholders for feedback, views and suggestions regarding the broad policy considerations. Where relevant, SGX has included such feedback as part of the SPACs Framework and safeguards.

SPACs

2.5 SPACs are typically listed on stock exchanges as companies with no prior operating history, operating and revenue-generating business or asset at the time of listing. They are formed to raise capital through IPOs for the sole purpose of acquiring operating business(es) or asset(s). Such acquisition may be in the form of a merger, share exchange or such other similar business combination methods. A SPAC is generally established and initially financed by experienced

founding shareholders (typically referred to as sponsors). Investors invest in shares or units[1] of SPACs in reliance on the expertise and proven track record of the founding shareholders and the management team of the SPAC, and primarily invest on the basis of the founding shareholders' profile. The majority of IPO funds raised are typically required to be placed in an escrow account, where the utilisation will be primarily for the consummation of the business combination (as defined in Appendix 2).

2.6 After listing, the SPAC begins its search for a target company for a business combination which must be completed within a permitted time frame. If the SPAC fails to complete the business combination within the permitted time frame, the SPAC is liquidated and the remaining funds (comprising a majority of the proceeds raised at IPO) held in the escrow account are returned to shareholders. Shareholders have the opportunity to vote on the business combination and those who vote against the business combination must be afforded the right to elect for their shares to be redeemed pro rata in cash if the business combination is approved and completed within the permitted time frame. Upon obtaining the requisite shareholders' approval and completion of the business combination, the resulting issuer (as defined in Appendix 2) will continue its listing on the exchange as a typical publicly-listed company.

3 Key Benefits of SPACs

Sponsors

3.1 Market commentaries suggested that with the listing of SPACs, sponsors are able to tap on public capital at the time of the listing, and through business combinations, invest in later-stage private companies and in turn stand to receive potential significant upside through the sponsor's promote (i.e. the entitlement to additional equity securities in the SPAC at nominal or no consideration in return for sponsoring a SPAC). In the case of U.S.-listed SPACs, it has been observed that the sponsor's promote, or otherwise known as founder shares, typically amount to 20% of the total shares outstanding after completion of the SPAC IPO that were purchased by the SPAC's sponsor at nominal consideration[2]. A SPAC IPO process is also relatively simpler and quicker as compared to a traditional IPO[3] given that a SPAC is a newly-formed company with no operational history nor commercial operations at the time of listing[4].

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[1] Where units are issued, each unit may consist of a share and warrants (or other convertible securities). A warrant is a contract that gives the holder the right to purchase from the SPAC a certain number of additional ordinary share in the future at a certain price, often at a premium to the ordinary share price at the time the warrant is issued.

[2] *CB Insights, Who Benefits — And Who Doesn't — From A SPAC (5 Nov 2020), retrieved online from: https://www.cbinsights.com/research/spac-pros-cons/.*

[3] *Ibid.*

Lexology (Morrison & Foerster LLP), Is 2021 the Year of SPACs in Asia? What You Need to Know (4 Mar 2021), retrieved online from: https://www.lexology.com/library/detail.aspx?g=470a554a-7b5e-4890-aa46-b75ac7a704f3&.

Lexology (Proskauer Rose LLP), SPACs Explained, in Five Minutes or Less (10 Feb 2021), retrieved online from: https://www.lexology.com/library/detail.aspx?g=6691b436-6ca4-4824-bdaa-b71b064c3e7f.

[4] Time-to-market is longer in a traditional IPO process due to (a) a greater extent of professional due diligence work conducted and prospectus disclosures required in relation to past and/or ongoing business operations; and (b) a lengthier IPO roadshow process involving a higher level of investors' scrutiny on the company's operating business including business valuation estimates.

Target Company

3.2 From the perspective of a target company for the busines combination, market commentaries suggested that there is better market certainty and price certainty[5]. In a traditional IPO, timing is paramount and missing the right "window" can mean the difference between a successful and a failed IPO. The SPAC market is generally active and can be even more so when the IPO window has been closed by financial instability or macroeconomic shocks thereby providing privately-held companies easier access to public markets particularly during market instability. The risks of failure in a traditional IPO to raise public capital through institutional investors and retail investors, as well as the uncertainty on the final offering price which would be dependent on the book-building process that can only take place towards the tail-end of the listing process, are eliminated as the negotiation and pricing process is simplified to that of direct negotiations between the SPAC and the target company instead of via the book-building process. Upon business combination, the target company could gain a strategic partnership with sponsors who may offer experienced leadership and/or strategic guidance after going public[6].

Investors

3.3 Investors have the opportunity to co-invest with experienced sponsors, who often have a demonstrated track record and experience in achieving meaningful investment returns. Concurrently, investors are provided with some protective measures to minimise downside risks until the completion of a business combination, such as having a majority of the funds raised at the SPAC's IPO held in an escrow account. For investors who had acquired shares in the SPAC at the time of the IPO, such downside protection results in a maximum theoretical loss of 10% of their initial investments at IPO (as elaborated in **paragraph 5.1 of part III**) when a business combination is not completed within the pre-determined period[7] or where investors wish to exit their investment at the time of vote for the business combination and exercise their Redemption Right (as elaborated in **paragraph 1.1 of part IV**).

3.4 Investors stand to gain additional upside opportunities if the SPAC issues accompanying warrants (or other convertible securities) with the SPAC's IPO shares which provide investors an option to purchase additional shares in the resulting issuer after the business combination through the exercise of such warrants (or other convertible securities).

4 Key Concerns and Risks of SPACs

4.1 Notwithstanding the benefits of SPACs described above, SGX is keenly aware of concerns and risks that are associated with the listing of SPACs. SPACs are susceptible to execution risks where the SPAC is unable to identify a suitable target company or successfully consummate the business combination within the pre-determined period. This may result in the liquidation of the SPAC, in turn causing investors to have lost the opportunity to invest in other potentially higher return

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[5] *Lexology (Cooley LLP), 10 Key Considerations for Going Public with a SPAC (31 Jul 2020), retrieved online from: https://www.lexology.com/library/detail.aspx?g=e4421e20-117b-4b5a-af43-cd06c2bc869b.*

InvestmentBank.com, Advantages of a SPAC (29 Nov 2020), retrieved online from: https://investmentbank.com/special-purpose-acquisition-company/.

Marker, Why SPACs Are the New IPO (28 Jul 2020), retrieved online from: https://marker.medium.com/why-spacs-are-the-new-ipo-dcefe54b4bdd.

[6] *InvestmentBank.com, Advantages of a SPAC (11 Mar 2021), retrieved online from: https://investmentbank.com/special-purpose-acquisition-company/.*

[7] *Ibid*.

investments in the intervening time[8], particularly retail investors who may not have had carefully considered such unique characteristics and risks of a SPAC.

4.2 There is inherent uncertainty to the target company as the business combination is subjected to shareholders' approval. There is a possibility that after extensive due diligence and negotiations on the business combination proposal, the transaction is eventually rejected by the SPAC shareholders[9].

4.3 Depending on the features of the SPAC such as possible issuances of warrants or other convertible securities along with shares of a SPAC as a unit, the reward structure for the sponsor, and shareholder redemption right and limit, a key concern arises where shareholders remaining with the resulting issuer may be subject to significant dilution. Based on observations of SPACs listed in the U.S., there is a consistent market practice for warrants to be attached to an ordinary share and offered to investors as a unit for subscription at the SPAC's IPO. The SPAC unit will trade for some time after the IPO, and thereafter the SPAC's ordinary shares and warrants may begin trading separately with their own unique trading symbols. Shareholders are able to redeem their shares for a pro rata amount of cash in the escrow account and retain the warrants held at IPO (regardless of how they have voted on the business combination). These shareholders have subsequently exercised the warrants despite not having contributed economically to the business combination following the redemption of their shares, resulting in further dilution to the shareholding interests of the non-redeeming shareholders who had remained with the resulting issuer[10].

4.4 Another key concern would be the equitability of the regulatory treatment for the business combination as the target company is not subject to the level of initial listing review and scrutiny by the relevant securities regulators as compared to a traditional IPO, and limited market professionals' due diligence may be conducted.

5 Jurisdictional Comparison

5.1 The listing of SPACs is currently permitted in several stock exchanges, including, but not limited to, the Nasdaq Stock Market ("**Nasdaq**"), New York Stock Exchange ("**NYSE**"), Toronto Stock Exchange ("**TSX**") and Bursa Malaysia ("**Bursa**"). In formulating the SPACs Framework, SGX had conducted a jurisdictional comparison and considered the key requirements for the listing of SPACs from these stock exchanges.

5.2 While we note that SPACs may be listed on other stock exchanges such as the London Stock Exchange and Korea Exchange, we have not referenced such SPACs due to fundamental structural differences between such SPACs *vis-à-vis* the common SPAC structure listed in the U.S.[11]

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[8] *Gibson Dunn & Crutcher LLP, 9 Factors to Evaluate When Considering A SPAC (11 Mar 2019), retrieved online from: https://www.gibsondunn.com/wp-content/uploads/2019/03/Spedale-Pacifici-9-Factors-To-Evaluate-When-Considering-A-SPAC-Law360-03-11-2019.pdf?.*

[9] *Marcum Bernstein & Pinchuk LLP, SPACs: A Guide for Management (19 Oct 2020), retrieved online from: https://crm.marcumbp.com/china-accounting-insights/spacs-guide-for-management?.*

[10] *Klausner, Michael and Ohlrogge, Michael, A Sober Look at SPACs (28 Oct 2020), NYU Law and Economics Research Paper No. 20-48, retrieved online from: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3720919.*

[11] For instance, in the United Kingdom, there is no requirement for shareholders' approval to be sought for a business combination and shareholders are not provided with the ability to redeem their shares if they do not wish to invest in the target company. As for South Korea, examples of structural differences include an eligibility requirement imposed on the sponsor who must be an authorised dealer under the relevant laws and regulations, and limitations where only a merger-type business combination is permitted.

U.S.

5.3 U.S. accounts for the majority of the ongoing SPAC listing activities. SPACs have traditionally listed in the U.S., where the first SPAC listing occurred in 2003. Based on public data, as of 30 March 2021, we note that 696 SPACs have been listed in the U.S. in the past five years. In 2020 alone, over S$112 billion was raised through 248 listings as of 31 December 2020, contributing to 55% of the total fundraising in the U.S. IPO market in the same year[12]. The amount of SPAC IPO proceeds raised solely in the U.S. in 2021 has also surpassed the total amount raised for the entire year of 2020[13].

5.4 SPAC listings in the U.S.[14] are subject to compliance with, among others, the following listing rule requirements:

(a) Minimum market capitalisation of US$75 million and US$50 million for a listing on the Nasdaq Global Market and Nasdaq Capital Market respectively; and US$100 million and US$50 million for a listing on NYSE and NYSE American respectively[15];

(b) Business combination must be completed within a maximum period of three years from the date of the SPAC's IPO, where at least 90% of the gross proceeds raised at IPO must be deposited in an escrow account and the business combinations must have an aggregate fair market value of at least 80% of the value of the escrow account[16];

(c) Simple majority approval of the independent directors and shareholders is generally required for the business combination transaction[17];

(d) The resulting issuer is required to meet the requirements for initial listing[18], including:

(i) Minimum market capitalisation of US$75 million and US$50 million for a listing on the Nasdaq Global Market and Nasdaq Capital Market respectively, and US$50 million for a listing on NYSE American[19];

(ii) Minimum distribution requirement of 1.1 million shares publicly held with a minimum of 400 round lot holders, and 1 million shares publicly held with a minimum of 300 round lot holders, for a listing on the Nasdaq Global Market and Nasdaq Capital Market respectively; and 1 million shares publicly held with a minimum of 400 public shareholders for a listing on NYSE American[20]; and

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12 *SPAC Analytics, SPAC and US IPO Activity (30 Mar 2021), retrieved online from: https://www.spacanalytics.com.*

13 *CNN, SPAC fundraising is up an insane 2,000% from a year ago (17 Mar 2021), retrieved online from: https://edition.cnn.com/2021/03/17/investing/wall-street-spacs-stocks-rick-rieder/index.html.*

14 While SPACs may list on either the Nasdaq Global Market or Nasdaq Capital Market, SPACs are not eligible to list on the Nasdaq Global Select Market (as stated in Nasdaq Stock Market, Rule 5310(i)). Generally, the resulting issuer may transfer its listing to the Nasdaq Global Select Market upon completing a business combination which has an aggregate fair market value of at least 80% of the value of the escrow account within 36 months of the SPAC's IPO (Nasdaq Stock Market, IM-5900-7(e)). Meanwhile, NYSE provides that a SPAC may list on either NYSE or NYSE American.

15 Nasdaq Stock Market, Rules 5405(b)(3)(A) & 5505(b)(2)(A); NYSE Listed Company Manual, Section 102.06; and NYSE American Company Guide, Section 101(c).

16 Nasdaq Stock Market, IM-5101-2(a) & (b); NYSE Listed Company Manual, Section 102.06; and NYSE American Company Guide, Sections 119(a) & (b).

17 Nasdaq Stock Market, IM-5101-2(c) & (d); NYSE Listed Company Manual, Sections 102.06(a) & (d); and NYSE American Company Guide, Sections 119(c) & (d).

18 Nasdaq Stock Market, IM-5101-2 and NYSE American Company Guide, Section 119(f).

19 *Supra* note 15.

20 Nasdaq Stock Market, Rules 5405(a)(3) and 5505(a)(1)(A) and NYSE American Company Guide, Section 102(b).

(iii) Minimum bid price of at least US$4 per share for a listing on the Nasdaq Global Market and Nasdaq Capital Market, and minimum market price of US$2-3 per share for a listing on NYSE American [21];

(e) Dissenting shareholders are required to be entitled to a redemption right, which excludes the sponsor, founding shareholders, directors, officers, family members or affiliates of any of the foregoing persons, and beneficial holders of more than 10%[22]. In tandem with the regulatory requirement, it is observed that in the U.S., shareholders who vote for the business combination are similarly entitled to a redemption right as part of market convention; and

(f) In the case of a liquidation of a SPAC, all shareholders can participate in the liquidation proceedings, excluding founding shareholders in respect of their pre-IPO shares and shares purchased in private placements occurring in conjunction with the IPO[23].

Canada

5.5 SPACs listings are permitted under the TSX rules, subject to compliance with, among others, the following listing rule requirements:

(a) No minimum market capitalisation size requirement. A SPAC is required to raise a minimum of CAD30 million (approximately S$32 million)[24] at the time of the listing;

(b) Business combination must be completed within a maximum period of 36 months from the date of the SPAC's IPO, where at least 90% of the gross proceeds raised at IPO must be deposited in an escrow account acceptable to TSX and the business combination must have an aggregate fair market value of at least 80% of the value then in the escrow account[25];

(c) Simple majority approval of the directors unrelated to the business combination and shareholders is required for the business combination transaction. Shareholders' approval is not required where 100% of the IPO proceeds and any additional equity raised are placed in escrow[26];

(d) The resulting issuer is required to meet TSX's original listing requirements (quantitative and qualitative)[27], including:

(i) Pre-tax cash flow of CAD500,000 in the last fiscal year for profitable companies[28];

(ii) Net tangible assets of CAD7.5 million for companies forecasting profitability[29];

(iii) At least 1 million freely tradeable shares having an aggregate market value of CAD4

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21 Nasdaq Stock Market, Rules 5405(a)(1) and 5505(a)(3) and NYSE American Company Guide, Section 102(a).

22 Nasdaq Stock Market, IM-5101-2(d); NYSE Listed Company Manual, Section 102.06(b); and NYSE American Company Guide, Section 119(d).

23 NYSE Listed Company Manual, Section 102.06(f).

24 TSX Company Manual, Part X, Section 1003.

25 TSX Company Manual, Part X, Sections 1010, 1022 & 1023.

26 TSX Company Manual, Part X, Section 1024.

27 TSX Company Manual, Part X, Section 1029.

28 TSX Company Manual, Part III, Section 309(a)(iii).

29 TSX Company Manual, Part III, Section 309(b)(i).

million must be held by at least 300 public holders[30]; and

(iv) Depending on the category of issuer, the applicable public distribution requirements to be satisfied within a grace period of 180 days;

(e) All shareholders are entitled to a redemption right (regardless of how they voted for the business combination); and

(f) In the case of a liquidation of a SPAC, all shareholders can participate in the SPAC's liquidation proceedings, excluding founding security holders in respect of their founding securities[31].

Malaysia

5.6 Bursa permits the listing of SPACs, subject to compliance with, among others, the following listing rule and/or statutory requirements:

(a) No minimum market capitalisation size requirement. SPACs are required to raise a minimum of RM150 million (approximately S$49 million)[32] at the time of the listing;

(b) Business combination to be completed within a maximum period of 36 months from the date of the SPAC's IPO, where at least 90% of the gross proceeds raised at IPO must be deposited in a trust account and the business combination must have an aggregate fair market value of at least 80% of the aggregate amount then in the trust account[33];

(c) At least 75% approval from shareholders with voting securities must be obtained for the business combination transaction, and the SPAC's management team and persons connected to them are not permitted to vote on the resolution approving the business combination[34];

(d) While SC Malaysia and Bursa do not appear to explicitly require initial listing requirements to be met following a business combination, other specific requirements are imposed on the business combination such as there being no change to the SPAC's board or key management[35];

(e) Dissenting shareholders are entitled to a redemption right, which excludes members of the management team and persons connected to them; and

(f) In the case of a liquidation of a SPAC, all shareholders can participate in the liquidation proceedings, excluding (i) members of the management team and persons connected to them in respect of securities purchased prior to and at the IPO; and (ii) pre-IPO investors in respect of securities purchased prior to IPO[36].

5.7 Having referenced and studied the existing practices in these jurisdictions, we have considered a number of these requirements, and in other aspects, we have proposed for alternative requirements to be met as part of our calibrated approach to address the unique characteristics

30 TSX Company Manual, Part III, Section 315.

31 TSX Company Manual, Part X, Sections 1008 & 1027.

32 Securities Commission ("**SC**") Malaysia Equity Guidelines for Main Market Rules, paragraph 6.09.

33 SC Malaysia Equity Guidelines for Main Market Rules, paragraphs 6.02, 6.21, 6.34 & 6.35.

34 SC Malaysia Equity Guidelines for Main Market Rules, paragraphs 6.39 & 6.40.

35 SC Malaysia Equity Guidelines for Main Market Rules, paragraph 6.37.

36 SC Malaysia Equity Guidelines for Main Market Rules, paragraphs 6.41 to 6.43.

and risks of SPACs[37]. When viewed holistically, the SGX SPACs Framework strives to mitigate regulatory risks while balancing the need to attract market demand and maintain SGX's competitiveness as an exchange for SPACs listing.

6 Details of SPACs Framework

6.1 SGX seeks public comment on proposed amendments to the Mainboard Rules to introduce and facilitate the primary listing of SPACs on the Mainboard of SGX-ST. The proposed Mainboard Rules amendments are set out in Appendix 2 while consequential editorial amendments to the Mainboard Rules are set out in Appendix 3.

II SPACs Framework

1 Relevance of SPACs Framework

1.1 In view of renewed and increasing market interests in the listing of SPACs, we seek the public's views on the desirability to broaden the range of Singapore capital market offerings to investors by permitting SPACs as a listing vehicle on the Mainboard of SGX-ST.

Question 1: Relevance of SPACs Framework

(a) Do you think that the introduction of a SPACs Framework will be beneficial to companies, investors and the Singapore capital market? Please provide reasons for your views.

(b) The proposed SPACs Framework will provide for a primary listing of SPACs on the Mainboard of SGX-ST. Do you think SPACs should be allowed to apply for a secondary listing on the Mainboard of SGX-ST? Please provide reasons for your views.

III Admission and Related Criteria

1 Definitions

1.1 SGX proposes to introduce or revise the following definitions in the Mainboard Rules:

(a) "business combination" which refers to the initial acquisition of operating business or asset by a SPAC under Rule 210(11)(l)(iii), which has a fair market value equal to at least 80% of the amount in the SPAC's escrow account at the time of entry into the binding agreement for the business combination transaction. Such acquisition may be in the form of a merger, share exchange, asset acquisition, share purchase, reorganisation, or such other similar business combination methods, in accordance with the business strategy and acquisition mandate disclosed in the prospectus issued in relation to the SPAC's IPO. Where the SPAC consummates multiple concurrent acquisitions as part of the business combination, there must be at least one initial acquisition which satisfies the requirement of having a fair market value constituting at least 80% of the amount in the SPAC's escrow account at the time of entry into the binding agreements for the business combination transactions, and such

[37] Given that a SPAC is formed for the sole purpose of completing a business acquisition, it has no commercial operations at the time of listing. SPACs may be susceptible to execution risks whereby a successful business combination may not be consummated within the permitted time frame, which results in its liquidation and in turn, causing investors to have lost the opportunity to invest in other potential higher return investments in the intervening time.

concurrent transactions must be inter-conditional and completed simultaneously within the permitted time frame;

(b) "founding shareholder" which refers to persons who founded, initially financed or sponsored the establishment of a SPAC;

(c) "management team" where in relation to a SPAC, includes the executive directors and executive officers of the SPAC;

(d) "public", where in relation to a SPAC, additionally excludes the founding shareholders and management team of a SPAC, and their associates;

(e) "resulting issuer" which refers to the resultant combined entity that trades on the SGX-ST upon the completion of a business combination by a SPAC; and

(f) "special purpose acquisition company" or "SPAC", which refers to a company with no prior operating history, operating and revenue-generating business or asset at the point of the IPO, and raises proceeds for the sole purpose of undertaking a business combination in accordance with the business strategy and acquisition mandate disclosed in the prospectus issued in relation to the SPAC's IPO.

Question 2: Definitions

Do you agree with the definitions of "business combination", "founding shareholder", "management team", "public", "resulting issuer" and "special purpose acquisition company" in Appendix 2? Please state the reasons for your views.

2 Additional Admission Criteria

Minimum Market Capitalisation

2.1 As SPACs have no prior operating history, operating and revenue-generating business or asset at the point of the IPO, SGX considers that the existing Mainboard quantitative admission criteria outlined in Mainboard Rule 210(2) that pertains to historical financial performance and/or operating track record are not appropriate, save for the market capitalisation size test. Accordingly, it is proposed for the SPAC to satisfy a separate quantitative admission criterion of a minimum market capitalisation of S$300 million, computed based on the IPO issue price and post-invitation issued share capital. This threshold of S$300 million is in line with the higher market capitalisation threshold in Mainboard Rule 210(2)(c). A higher minimum market capitalisation threshold serves to (a) ensure a SPAC is backed by experienced and quality sponsors and/or management team with proven track record and repute; and (b) facilitate consummation of a quality and sizeable business combination[38].

2.2 Indeed, given the fundamental importance of the aforementioned factors, alternative views have been expressed that an even higher minimum market capitalisation size requirement of S$500 million would be appropriate to ensure experienced and quality sponsors and/or management team. Considering the market statistics observed on a typical business combination size *vis-à-vis* the initial SPAC size as set out in **footnote 38**, we are cognisant that imposing a minimum market

[38] Based on recent market statistics for SPACs which had completed a business combination, the size of the business combination is typically a multiple of four to eight times of the initial SPAC's size. *Forbes, 10 Key Questions and Answers About SPACs (11 Nov 2020), retrieved online from: https://www.forbes.com/sites/allbusiness/2020/11/11/10-key-questions-and-answers-about-spacs/.*

capitalisation requirement higher than S$300 million could limit the number of potential target companies for the subsequent business combination, in turn increasing the risk of SPACs not being able to successfully consummate business combinations. To cater for a sufficient pool of target companies while balancing with the intention to ensure consummation of a sizeable business combination, we have proposed for SPACs to meet a minimum market capitalisation of S$300 million.

Public Float

2.3 To ensure that there is sufficient free float for orderly trading, we will introduce a separate requirement for at least 25% of a SPAC's total number of issued shares to be held by at least 500 public shareholders at the time of the SPAC listing on SGX-ST. This is consistent with the existing highest public float requirement as per Mainboard Rule 210(1)(a). We believe this proposal will be appropriate to strike a balance between promotion of orderly trading and having a shareholding spread and distribution requirement which will not be unduly onerous to the SPAC.

Minimum Issue Price

2.4 It is proposed for a higher minimum issue price of S$10 per share or unit for the securities offered for the SPAC IPO, instead of the existing minimum issue price of S$0.50 for securities offered for a Mainboard listing under Mainboard Rule 241. Our proposal to impose a minimum issue price of S$10 is drawn from our observations on the typical pricing of SPACs listed in the U.S. (which is generally fixed at an IPO price US$10 per share or unit). We are of the view that a higher minimum issue price at IPO is appropriate given the unique characteristics of SPACs, as it can serve to encourage retail investors to carefully consider the unique characteristics and risks of a SPAC prior to investing.

Jurisdiction of Incorporation

2.5 In order to ensure that the SPAC is subjected to Singapore's standard of company and securities laws, including in respect of liquidation proceedings and protection of shareholders' rights under the Companies Act, it is proposed that a SPAC seeking a primary listing on the Mainboard of SGX-ST must be incorporated in Singapore.

Dual Class Share Structure

2.6 We have observed that there have been instances of U.S.-listed SPACs adopting dual class share ("**DCS**") structures at IPO. However, in view that a SPAC has no commercial operations at the time of listing and that the founding shareholders, the management team, and their respective associates will not be permitted to vote on the resolution(s) for the business combination (as elaborated in **paragraph 9.1 of this Part III**), it is proposed that a SPAC will not be permitted to adopt a DCS structure for its IPO.

Question 3: Additional Admission Criteria

Minimum Market Capitalisation

(a) In view of the unique characteristics and risks of SPACs and the recognition of the importance in ensuring the admission of SPACs which are backed by experienced and quality sponsors, do you agree that SPACs should satisfy a minimum market capitalisation requirement of S$300 million at the time of listing, based on the IPO issue price and post-invitation issued share capital? Alternatively, do you think that a higher minimum market capitalisation such as S$500 million should be imposed? Please state the reasons for your views, and you may suggest an appropriate minimum threshold and provide reasons for your suggestion.

Public Float

(b) Do you agree with the requirement for a SPAC to have at least 25% of their total number of issued shares to be held by not less than 500 public shareholders at the time of listing? If your answer is no, you may suggest an appropriate threshold and provide reasons for your suggestion.

Minimum Issue Price

(c) Do you agree with a higher minimum issue price of S$10 per share or unit for the securities offered for the SPAC IPO? If your answer is no, please provide your views on the appropriate minimum issue price and state the reasons for your suggestion.

Jurisdiction of Incorporation

(d) Do you agree that the SPAC should be incorporated in Singapore? If your answer is no, please state the reasons for your views.

Dual Class Share Structure

(e) The Exchange seeks your views on whether the SPAC should be allowed to adopt a DCS structure at the time of listing. Please state the reasons for your views.

You may propose additional listing criteria and provide reasons for your proposals.

3 Suitability Assessment Factors of a SPAC

3.1 In assessing the suitability of a SPAC for listing, SGX will consider the following factors:

(a) the profile including the track record and repute of the founding shareholders and experience and expertise of the management team of the SPAC;

(b) the nature and extent of the management team's compensation;

(c) the extent of the founding shareholders and the management team's equity ownership in the SPAC;

(d) the alignment of interests of the founding shareholders and the management team with the interest of other shareholders;

(e) the amount of time permitted for completion of the business combination prior to the liquidation distribution;

(f) the dilutive features and events of the SPAC, including those which may impact shareholders and whether there are any mitigants for such dilution;

(g) the percentage of amount to be held in the escrow account that must be represented by the fair market value of the business combination; and

(h) such other factors as the Exchange believes are consistent with the aims of protecting investors and promoting public interest.

3.2 Notwithstanding the above, SGX retains the discretion to consider any other factors we may deem relevant in our assessment on the suitability of the SPAC for listing. Guidance on the suitability assessment factors are set out in the Proposed Practice Note 6.4. Such suitability assessment

factors are similar to those adopted by the other exchanges that currently permit the listing of SPACs.

Question 4: Suitability Assessment Factors of a SPAC

Do you agree with the suitability assessment factors listed in Appendix 2? You may suggest other factors which may be relevant in assessing the listing suitability of a SPAC, and to provide reasons for your suggestion.

4 Permitted Time Frame for Completion of Business Combination

4.1 In view that SPACs are established to raise public proceeds for the sole purpose of undertaking a business combination, there exists a risk that the SPAC may not find a suitable business combination and investors' monies are held in escrow until such time the SPAC completes its search. The opportunity cost to investors' capital must not be perpetual and the completion of a business combination should be subject to a reasonable maximum time frame to safeguard investors' interests. Consistent with the regulatory requirements on a maximum time frame in other exchanges that permit the listing of SPACs, it is proposed that the SPAC must complete a business combination within a maximum time frame of 36 months from the date of listing. SPAC sponsors may voluntarily specify a shorter time frame to complete the business combination in the SPAC's constitution. The SPAC will be liquidated and the remaining funds (comprising a majority of the proceeds raised at IPO) held in the escrow account are returned to shareholders if the SPAC is unable to complete the business combination within the permitted time frame.

4.2 It is proposed that an extension of time may be permitted under exceptional circumstances, for example, where a binding agreement for business combination has been entered into and announced on SGXNet, and parties are in the midst of completion and require a reasonable time extension for completion of the transaction. Given that the extension of time will effectively result in a longer lock-up of investments from the independent shareholders, we propose to require a special resolution to be passed by independent shareholders, and concurrently the SPAC must apply to SGX, for an extension of time to complete the business combination. The founding shareholders, the management team, and their associates are not considered independent, and accordingly, will not be permitted to vote on the resolution. SGX may reject the SPAC's extension of time and/or withhold the clearance on the circular to seek shareholders' approval for the time extension, if SGX is of the opinion that there is no reasonable justification to grant an extension of time and/or it is in the interests of the public to do so.

4.3 To ensure that shareholders are kept informed in a timely manner, it is proposed that the SPAC should at least provide quarterly SGXNet announcements to update shareholders of its cash utilisation and its progress in securing a business combination.

Question 5: Permitted Time Frame for Completion of Business Combination

(a) Do you agree that a SPAC must complete a business combination within a maximum time frame of 36 months from the date of listing? If your answer is no, you may suggest an appropriate maximum time frame and provide reasons for your suggestion.

(b) Based on market observations in other exchanges that permit the listing of SPACs, SPACs typically complete a business combination within 24 months from its listing. Do you agree that the maximum time frame for the SPAC to complete a business combination should be shortened to 24 months? Please state the reasons for your views.

(c) Do you agree that SPACs may seek an extension of time to complete a business combination under exceptional circumstances? Please provide possible scenarios that may qualify as an exceptional circumstance, and state the reasons for your suggestions.

(d) Do you agree that a SPAC should be allowed to seek independent shareholders' and SGX's approval for an extension of time under specified circumstances in its constitution? Please state the reasons for your views.

(e) Do you agree that a time extension to complete the business combination must be approved by a special resolution passed by independent shareholders? Please state the reasons for your views.

(f) To ensure that shareholders are kept informed in a timely manner, do you agree that the SPAC should at least provide quarterly SGXNet announcements to update shareholders of its cash utilisation and its progress in securing a business combination? If your answer is no, you may suggest a reasonable frequency for the updates and provide reasons for your suggestion.

You may provide suggestions on the information to be contained in the SGXNet announcement updates to shareholders and state the reasons for your suggestion.

5 Minimum Percentage of IPO Proceeds Held in an Escrow Account

5.1 Consistent with the regulatory requirements in other exchanges in relation to the minimum percentage of IPO proceeds to be held in escrow, the SPAC is required to place at least 90% of the gross proceeds raised from its IPO in an escrow account. This ensures that the majority of the cash assets of the SPAC is safeguarded until the completion of a business combination. The escrow account should be opened with and operated by an independent escrow agent which is part of a financial institution licensed and approved by the Monetary Authority of Singapore. Until the completion of a qualifying business combination, the SPAC may invest the escrowed funds in permitted investments such as cash or cash equivalent short-dated securities of at least A-2 rating (or an equivalent).

5.2 The funds placed in the escrow account, interest earned and income derived from such funds cannot be drawn down prior to completion of a business combination, except for the circumstances set out in the proposed Practice Note 6.4 which includes: (a) election by a shareholder to have its shares redeemed by the SPAC when voting against a proposed business combination; (b) cash distribution on liquidation of the SPAC; (c) solely in respect of interest earned and income derived from the amounts placed in the escrow account, such interest and income may be applied as payment for the administrative expenses incurred by the SPAC in connection with the IPO, for general working capital expenses and for the purposes of identifying and completing a business combination; and (d) such other exceptional circumstances apart from those stipulated in (a) to (c). Given that the SPAC's assets consist substantially of cash or cash equivalents, in order to safeguard the SPAC's assets until the time that the business combination is completed, any particular draw down from the escrow account under the circumstances described in (d) will constitute as a key event that must be approved by a special resolution of the independent shareholders and the SPAC must concurrently make an application to SGX for approval of such draw down. The founding shareholders, the management team, and their associates are not considered independent, and accordingly, will not be permitted to vote on the resolution.

Question 6: Minimum Percentage of IPO Proceeds Held in an Escrow Account

(a) Do you agree that SPACs should place at least 90% of the gross proceeds raised from its IPO in an escrow account? If your answer is no, please state the appropriate minimum threshold and the bases for the threshold.

(b) Do you agree with allowing escrowed funds to be used for permitted investments and the scope of permitted investments for which the SPAC may invest the escrowed funds in? Please state the reasons for your views.

(c) Do you agree that where there are other exceptional circumstances that warrant a draw down from the escrow account, the SPAC may seek independent shareholders' approval by way of a special resolution and SGX's approval for such draw down? Please state the reasons for your views.

(d) The escrowed funds generally cannot be drawn down except upon completion of a qualifying business combination or liquidation of a SPAC. Do you agree with the proposal to allow the SPAC to draw down the interest earned and income derived from the escrowed funds for payment of the administrative expenses incurred by the SPAC in connection with the IPO, the SPAC's general working capital expenses and for the purposes of identifying and completing a business combination? If your answer is no, please provide reasons for your views.

6 Fair Market Value of the Target Company Relative to the Amount in Escrow Account

6.1 It is proposed that the business combination must comprise of an initial acquisition of a business or asset with a fair market value forming at least 80% of the amount held in the escrow account (excluding amounts representing deferred underwriting commission[39] and any taxes payable on the income earned on the escrowed funds). This requirement must be met based on the fair market value and the amount in the escrow account at the time of the entry into the binding agreement for the business combination transaction. The minimum percentage threshold is consistent with the regulatory requirements in other exchanges that permit the listing of SPACs and ensures that the business combination results in the SPAC having a sizeable and identifiable core business of which it has majority ownership and/or management control of. SPACs may consummate multiple concurrent acquisitions as part of the business combination, however there must be at least one initial acquisition which satisfies the requirement of having a fair market value constituting at least 80% of the amount held in the escrow account, and such concurrent transactions must be inter-conditional and completed simultaneously within the permitted time frame.

6.2 We propose to require the appointment of a competent and independent valuer to value the business(es) or asset(s) to be acquired under the business combination, and for this independent valuation report to be appended to the circular to shareholders seeking their approval for the business combination ("**Circular**"). These proposals are intended to protect the interests of independent shareholders against prejudicial business combination terms and to facilitate their assessment of the business combination, in conjunction with information pertaining to the commercially agreed purchase consideration and independent valuation of the target business(es) or asset(s). The requirement for the appointment of an independent valuer is similarly required for significant disposals under Mainboard Rule 1014(5), as well as very substantial acquisitions and

[39] Underwriters of the SPAC IPO may commercially agree to defer a portion of its underwriting commission (or such other fees) until the successful completion of a business combination by the SPAC.

reverse takeover (RTO) transactions under Mainboard Rule 1015. SGX is carrying out a separate review of practices on business valuations, and may consult the public on enhancements in due course.

Question 7: Fair Market Value of the Target Company Relative to the Amount in Escrow Account

(a) Do you agree that the fair market value of the SPAC's initial acquisition should amount to at least 80% of the amount held in the escrow account (excluding amounts held in the escrow account representing deferred underwriting commission and any taxes payable on the income earned on the escrowed funds) at the time the binding agreement for the business combination transaction is entered into? If your answer is no, please provide reasons for your views, and please suggest an appropriate minimum threshold and the bases for the threshold.

(b) Do you agree that SPACs may consummate multiple concurrent acquisitions as part of the business combination, however there must be at least one initial acquisition which satisfies the requirement of having a fair market value constituting at least 80% of the amount held in the escrow account at the time of entry into the binding agreements for the business combination transactions, and such concurrent transactions must be inter-conditional and completed simultaneously within the permitted time frame? If your answer is no, please provide reasons for your views.

(c) Do you agree that the SPAC should be required to appoint an independent valuer to value the target business(es) or asset(s) to be acquired under the business combination? Please state the reasons for your views. You may suggest other requirements as measures to safeguard investors' interests against prejudicial business combination terms, and provide reasons for your suggestion.

7 Minimum Equity Participation

7.1 To demonstrate an alignment of interests of the founding shareholders and the management team with that of other shareholders, it is observed that the founding shareholders and/or the management team would typically hold equity ownership in the SPAC through the acquisition of shares or units at the time of the SPAC IPO. Accordingly, we are proposing to subject the founding shareholders and the management team to a minimum aggregate subscription value for alignment of their economic interest in the SPAC with that of other shareholders. The minimum aggregate value will be dependent on the market capitalisation size of the SPAC at IPO (based on the IPO issue price), as set out in the below table:

Market Capitalisation of the SPAC (S$ million) ("M")	**Aggregate minimum value of shares or units subscribed based on the IPO issue price ($S million)**
300 $\leqslant$ M < 500	10
500 $\leqslant$ M < 1,000	15
M $\geqslant$ 1,000	20

Question 8: Minimum Equity Participation

Do you think there should be a requisite minimum equity participation of the founding shareholders and the management team at the time of the SPAC IPO to align their interests with other shareholders?

You may suggest other requirements as measures to align the interests of the founding shareholders and the management team, with that of other shareholders, and provide reasons for your suggestion.

8 Period of Moratorium

Moratorium to be Observed following the SPAC's IPO

8.1 In view of the unique characteristics and risks of a SPAC[40] and the importance of ensuring key persons who are involved in the establishment and management of the SPAC have interests which are aligned with that of independent shareholders in ensuring a successful completion of a business combination, it is proposed for the founding shareholders, the management team, the controlling shareholders and their respective associates to observe a moratorium on the transfer or disposal of all or part of their direct and indirect effective shareholding interest held in the SPAC as at the date of the SPAC's listing until the completion of the business combination. The moratorium cash formula under Mainboard Rule 229 shall apply accordingly to pre-IPO investors from the date of the SPAC's listing until the completion of the business combination.

Moratorium to be Observed following the Business Combination

8.2 Following the completion of the business combination, it is likewise important to ensure that (i) the founding shareholders and the management team of the SPAC align their interests with independent shareholders in relation to the business combination they had sought independent shareholders' approval for; and (ii) new controlling shareholders and executive directors, retain their equity interests in the resulting issuer for a minimum period post-completion of the business combination. Thus, it is proposed for (a) the SPAC's founding shareholders, the management team and their respective associates; and (b) the controlling shareholders and their associates, and the executive directors of the resulting issuer with an interest in 5% or more of the issued share capital, to observe a moratorium on the transfer or disposal of all or part of their direct and indirect effective shareholding interest held in the resulting issuer for at least 6 months from the date of the completion of the business combination. The Circular in relation to the business combination will be reviewed by SGX, and the SPAC (including its financial adviser as elaborated in **paragraph 3.3 of Part V**), must demonstrate the appropriateness of the proposed moratorium period to ensure alignment of interests of the aforementioned persons with that of other shareholders of the resulting issuer.

Question 9: Period of Moratorium

(a) To align interests of the abovementioned key persons with that of other shareholders, your views are sought on the moratorium to be observed following (i) the SPAC's IPO; and (ii) the business combination. Please state the reasons for your views.

(b) As a SPAC may have secured investments/funding from pre-IPO investors prior to its listing on the Mainboard of SGX-ST, the Exchange seeks your views on whether pre-IPO investors

[40] *Supra* note 37.

should be subjected to a moratorium based on the cash formula under Mainboard Rule 229 from the date of the SPAC's listing until the completion of the business combination? Please state the reasons for your views.

9 Approval(s) Required for Business Combination

9.1 It is proposed that (a) a simple majority of independent directors' approval; and (b) approval by an ordinary resolution passed by independent shareholders, for the business combination are required. In satisfying the voting threshold requirements for approving the business combination, the founding shareholders, the management team, and their respective associates will not be considered independent. The restriction of the founding shareholders, the management team, and their respective associates from voting on the business combination ensures that the SPAC strives to complete the most desirable business combination available by optimising the SPAC's capital structure and to conduct the business combination transaction on an arms' length basis and on terms which are not prejudicial to the interests of the SPAC's and independent shareholders.

Question 10: Approval(s) Required for Business Combination

(a) Do you agree with the requirement for the business combination to be respectively approved by (i) a simple majority of independent directors' approval; and (ii) an ordinary resolution passed by independent shareholders at a general meeting to be convened? Please state the reasons for your views.

(b) Do you agree that the founding shareholders, the management team, and their respective associates should not be permitted to vote on the business combination? If your answer is no, please state the reasons for your views.

IV Safeguards Against Dilution Risks

1 Redemption and Liquidation Distribution Rights of Shareholders

Redemption Right

1.1 It is proposed that only independent shareholders who vote against the business combination will be afforded the right to elect to redeem their ordinary shares and receive a pro rata portion of the amount held in the escrow account in cash, if the business combination is approved and completed within the permitted time frame ("**Redemption Right**"). Such amount held in escrow account shall be computed at the time of the business combination vote. Independent shareholders who vote for the business combination are not afforded a Redemption Right as we are of the view that it is reasonable for shareholders to align their interests with and stand by their voting decisions. This restriction may mitigate concerns on high redemption rates at the vote for the business combination which has been observed for SPACs listed in the U.S., which consequentially causes further dilution to remaining shareholders of the resulting issuer due to additional financing required to complete the business combination[41]. The redeemed shares will be cancelled and any accompanying warrants (if any) shall be nullified and void.

1.2 For avoidance of doubt, independent shareholders who had not participated in the vote for the

[41] *Harvard Law School Forum on Corporate Governance, A Sober Look at SPACs (19 Nov 2020), retrieved online from: https://corpgov.law.harvard.edu/2020/11/19/a-sober-look-at-spacs/?.*

business combination will not be afforded the Redemption Right.

Right to Liquidation Distribution

1.3 Where the SPAC fails to (i) complete a business combination within the permitted period; or (ii) obtain specific independent shareholders' approval for an Event of Material Change (as defined in **paragraph 1.1 of Part V**) prior to completion of a business combination, it is proposed that the SPAC be liquidated and remaining funds in escrow (net of taxes payable and direct expenses related to the liquidation distribution, but including interest, income derived and deferred underwriting commissions accrued in the escrow account) to be returned and distributed in cash to (a) all independent shareholders on a pro rata basis, equal to their respective share of the amount in the escrow account at the time of the liquidation distribution; and (b) the founding shareholders, the management team, and their respective associates in respect of shares purchased after the SPAC's IPO. Consistent with the regulatory approach in other exchanges that permit the listing of SPACs, the founding shareholders, the management team, and their respective associates, must waive their rights to participate in any liquidation distribution in respect of shares acquired and held at the time of the IPO.

Question 11: Redemption and Liquidation Distribution Rights of Shareholders

(a) Do you agree that independent shareholders who vote for the business combination and those who had not participated in the vote for the business combination, should not be permitted to exercise their Redemption Right? Please state the reasons for your views.

(b) As an alternative to mitigate concerns of dilution risks to the remaining shareholders of the resulting issuer arising from high redemption rates at the vote for the business combination, the Exchange seeks your views on requiring the SPAC to establish a limit on the exercise of Redemption Right by independent shareholders who voted for the business combination. Please suggest an appropriate limit and provide reasons for your suggestion.

Please suggest other requirements as measures to increase investor protection against high redemption rates at the time of the business combination and provide reasons for your suggestion.

(c) As a SPAC may have secured investments/funding from pre-IPO investors prior to its listing on the Mainboard of SGX-ST, the Exchange seeks your views on whether pre-IPO investors are allowed to participate in the liquidation distribution in respect of shares purchased by them prior to the SPAC's IPO? Please state the reasons for your views.

2 Requirement to Mitigate Dilution to Shareholders Remaining with the Resulting Issuer

2.1 Based on observations of SPACs listed in the U.S., there is a consistent market practice for warrants to be attached to an ordinary share and offered to investors as a unit for subscription at the SPAC's IPO (as elaborated in **paragraph 4.3 of Part I**).

2.2 In view of increasing concerns on dilutive events including conversion of accompanying warrants (if any) after business combination, it is proposed for the warrants (or other convertible securities) which may be issued with the SPAC shares at IPO to be attached to the underlying ordinary shares and traded as a single unit on the Mainboard of SGX-ST, and upon the exercise of the Redemption Right by dissenting shareholders of the business combination, the warrants (or other convertible securities) shall be nullified and void, and shall not survive such redemption. This mitigates the potential significant dilutive impact to shareholders remaining with the resulting issuer and

protects the economic value of shareholders' investments.

2.3 We received feedback from market professionals that the proposal to require accompanying warrants to be non-detachable from the underlying ordinary shares is not in line with market norms and may diminish the traditional upside advantage to SPAC investors by compensating them for the lost investment opportunity cost in view that their investing capital are held in escrow for a period of time. Given that such a proposal would have a fundamental impact and present commercial drawbacks to the SPACs Framework, we are seeking feedback on an alternative option, namely to require the SPAC to impose a maximum percentage cap on the resultant dilutive impact to shareholders post-business combination arising specifically from the conversion of issued warrants (or other convertible securities). This ensures mitigating measures are being taken to increase investor protection against significant dilutive impact arising from conversion of warrants (or other convertible securities) issued by the SPAC with the ordinary shares at IPO.

Question 12: Requirement to Mitigate Dilution to Shareholders Remaining with the Resulting Issuer

The Exchange seeks your views on the following options to address the abovementioned regulatory concern where the future exercisability of warrants (or other convertible securities) after the SPAC's business combination may result in potential significant dilutive impact to shareholders remaining with the resulting issuer:

Option 1: Require warrants (or other convertible securities) to be non-detachable from the underlying ordinary shares of the SPAC, for trading on the Mainboard of SGX-ST.

Option 2: Impose a maximum percentage cap on the resultant dilutive impact to shareholders (based on issued share capital of the SPAC at IPO) post-business combination arising specifically from the conversion of issued warrants (or other convertible securities) by the SPAC.

Please state the reasons for your views and you may, for Option 2, propose an appropriate maximum threshold and the bases for the threshold. You may suggest other requirements as measures to increase investor protection against significant dilutive impact arising from conversion of warrants (or other convertible securities) issued by the SPAC with the ordinary shares at IPO, and provide reasons for your suggestion.

V Other Investor Protection Safeguards

1 Event of Material Change Occurring Prior to Completion of Business Combination

1.1 It is proposed that a liquidation mechanism be put in place by the SPAC in the event a material change occurs in relation to the profile of the founding shareholders and/or the management team which may be critical to the successful founding of the SPAC and/or successful completion of the business combination ("**Event of Material Change**"). This Event of Material Change shall trigger a liquidation event for the SPAC, where cash distributions equal to the shareholders' share of the amount in the escrow account at the time of the liquidation distribution (net of taxes payable and direct expenses related to the liquidation distribution, but including interest, income derived and deferred underwriting commissions accrued in the escrow account) will be returned to the shareholders ("**Liquidation Mechanism**") on a pro rata basis as soon as practicable, as permissible by the relevant laws and regulations. Given that SPAC shareholders invest primarily on the basis of the profile of the sponsor and/or management team, approval by a special resolution of the independent shareholders will be required for the Event of Material Change in order for the SPAC to continue its primary listing on the Mainboard of SGX-ST notwithstanding that an Event of

Material Change has occurred.

1.2 An Event of Material Change includes a material change in (a) the founding shareholders' profile on which independent shareholders had primarily relied on in investing into the SPAC at IPO (e.g. a change in control of the founding shareholders as a result of a takeover, etc.); and (b) the resignation and/or replacement of the management team of the SPAC which are not due to natural cessation events such as death, incapacity, illness etc. Given that an Event of Material Change is not exhaustive in nature and could vary from case to case, SGX will be afforded discretion in determining whether an Event of Material Change of such nature has arisen.

1.3 The Liquidation Mechanism ensures that independent shareholders have a say in critical material changes to the SPAC listing vehicle and may vote against the continued listing of the SPAC on the Mainboard of SGX-ST should there be concerns. Where the requisite independent shareholders' approval is not obtained, the Liquidation Mechanism is triggered and the SPAC will be liquidated.

Question 13: Event of Material Change Occurring Prior to Completion of Business Combination

(a) Do you agree with the requirement for the SPAC to put in place a Liquidation Mechanism in the Event of Material Change occurring prior to the business combination? Please state the reasons for your views.

(b) Please suggest any other appropriate events that should constitute as an Event of Material Change thereby triggering a Liquidation Mechanism, and state your reasons for your suggestions.

2 Limit on Sponsor's Promote

2.1 It has been observed that the quantum of the SPAC sponsor's promote (i.e. the entitlement to additional equity securities in the SPAC at nominal or no consideration in return for sponsoring a SPAC) is typically a commercial matter for negotiations and a specific regulatory limit is not imposed by other exchanges permitting the listing of SPACs, with the exception of TSX[42].

2.2 Imposing a limitation on the quantum of the sponsor's promote serves to reinforce an alignment of interests between the founding and independent shareholders, as it is an incentive tied to deal completion rather than the long-term success of any business combination. While we have carefully considered the appropriateness of imposing such a measure, we are proposing not to do so, taking into account the other safeguards that have been proposed under the SPACs Framework to create alignment of the founding shareholders' and the management team's interests with that of the SPAC's independent shareholders. These safeguards include requiring (a) a minimum equity participation by the founding shareholders, the management team and their associates at IPO; (b) the founding shareholders, the management team and their associates to observe an extended moratorium period (compared to traditional IPOs) from the date of listing to the completion of the business combination, and for at least six months post-completion of the business combination; and (c) the founding shareholders, the management team and their associates to be restricted from voting on the business combination[43]. On balance, we are of the view the other safeguards which are proposed under the SPACs Framework sufficiently address the issue of alignment of interests.

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[42] Section 1002(c) of the TSX Company Manual considers the extent of the founding securityholders' equity ownership in the SPAC, which is generally expected to be an aggregate equity interest of: (i) not less than 10% of the SPAC immediately following the closing of the IPO; and (ii) not more than 20% of the SPAC immediately following closing of the IPO, taking into account the price at which the founding securities are purchased and the resulting economic dilution.

[43] The requirements in (a), (b) and (c) are not imposed by the U.S. exchanges.

Question 14: Limit on Sponsor's Promote

Do you agree that a limit on the sponsor's promote is unnecessary in light of the other safeguards proposed to align the interests of independent shareholders with the founding shareholders and the management team of the SPAC? Please provide reasons for your views and if your answer is no, you may propose an appropriate percentage limit and/or the nature of the sponsor's promote, and reasons for your suggestion.

3 Requirement for the Resulting Issuer to Meet Initial Listing Requirements

3.1 To ensure an equitable regulatory treatment in permitting the listing of a target company through the business combination with a SPAC instead of listing via the traditional IPO route, and in order to promote fair and orderly trading of the resulting issuer's shares upon the successful completion of a business combination, we have proposed to require the resulting issuer to meet the applicable initial listing requirements under Chapter 2 of the Mainboard Rules, including the quantitative admission criterion, public spread and distribution requirements, and qualitative requirements such as the character and integrity of directors, executive officers and controlling shareholders (as set out in proposed Mainboard Rule 210(11)(l)(vi)). If the resulting issuer does not meet the initial listing requirements, the Exchange will delist the securities of the SPAC. This is similar with SGX's existing requirements for RTO transactions and generally consistent with the U.S. exchanges and TSX approach in requiring the resulting issuer to meet the applicable initial listing requirements[44].

3.2 Based on market research and data, we have observed that the new economy, telecommunications, media and technology sector companies outsize the market share in the SPAC space as these growth companies seek to tap on the benefits of gaining access to public capital and liquidity via the SPAC route[45]. For the avoidance of doubt, where the resulting issuer adopts a DCS structure, the SGX DCS framework shall apply including the requirements under Mainboard Rule 210(10). These companies would also be required to satisfy the initial listing requirements such as Mainboard Rule 210(2)(c) for non-profitable companies.

Requirement to Appoint a Financial Adviser for the Business Combination

3.3 It is proposed that a financial adviser, who is an issue manager, be appointed by the SPAC to advise the SPAC on the business combination, including taking guidance from the ABS Listings Due Diligence Guidelines in conducting its due diligence for the business combination transaction. This is to obtain a certain level of assurance on the quality of the business combination. The financial adviser will be required to provide a responsibility statement in the Circular accepting responsibility for the disclosures in the Circular relating to the business combination transaction.

Full and True Disclosures in the Circular in relation to the Business Combination

[44] It is noted that the initial listing requirements in the U.S. exchanges and TSX are generally quantitative and do not stipulate specific qualitative requirements to be satisfied.

[45] *S&P Global, Tech and SPACs: A dance of Wall Street darlings (16 Mar 2021), retrieved online from: https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/tech-and-spacs-a-dance-of-wall-street-darlings-63155224.*

Seward & Kissel LLP, SPACtacular – Why Tech Companies Can't Get Enough of SPACs (24 Feb 2021), retrieved online from: https://www.sewkis.com/publications/spactacular-why-tech-companies-cant-get-enough-of-spacs.

CHANNELe2e, Technology SPACs List: 63 Blank Check Companies, IPOs and Merger Updates (16 Mar 2021), retrieved online from: https://www.channele2e.com/investors/technology-spacs-list.

3.4 To ensure that independent shareholders are provided with full and true disclosure to vote on the business combination, we propose to require (a) a responsibility statement from the SPAC's founding shareholders and directors, the proposed directors of the resulting issuer, and the financial adviser with respect to the information contained in the Circular pertaining to the business combination and target business(es) and/or asset(s), in line with Practice Note 12.1; and (b) the Circular on the business combination to comply with the prospectus disclosure requirements under Part XIII of the Securities and Futures Act, and include disclosures on key areas such as: (1) the financial position and operating control of the resulting issuer; (2) the character and integrity of the incoming directors and management of the resulting issuer; (3) the compliance history of the resulting issuer; (4) the resulting issuer's possession of material licenses, permits and approvals required to operate the business; and (5) the resolution and mitigation of conflicts of interests. In accordance with Mainboard Rule 1202, the SPAC must submit a draft copy of the Circular on the business combination to SGX for review. In the event of material concerns on the business combination, SGX may not provide its clearance for the Circular.

Question 15: Requirement for the Resulting Issuer to Meet Initial Listing Requirements

(a) Do you agree that the resulting issuer should be required to meet the applicable initial listing requirements under Chapter 2 of the Mainboard Rules under the proposed Rule 210(11)(l)(vi)? Please state the reasons for your views.

(b) If your answer is no to (a), the Exchange seeks your views on whether the resulting issuer should nonetheless be required to meet the qualitative initial listing requirements under Chapter 2 of the Mainboard Rules including Mainboard Rule 210(5) on the character and integrity of directors, executive officers and controlling shareholders, Mainboard Rule 223 on the resolution of conflicts of interests, as well as Mainboard Rules 210(8) and 210(9) for a business combination involving a life science company and a mineral, oil and gas company, respectively, upon completion of the business combination. Please state the reasons for your views.

Please suggest other alternative proposals to obtain a certain level of assurance on the quality of the business combination, and to state the reasons for your suggestions.

<u>Requirement to Appoint a Financial Adviser for the Business Combination</u>

(c) Do you agree with the requirement for the SPAC to appoint a financial adviser to advise on the business combination transaction and in advising the SPAC, the financial adviser is expected to take guidance from the ABS Listings Due Diligence Guidelines? Please state the reasons for your views.

(d) The Exchange seeks your views on whether requiring the appointment of the financial adviser to be approved by an ordinary resolution passed by the independent shareholders of the SPAC is appropriate. Please state the reasons for your views.

<u>Full and True Disclosures in the Circular in relation to the Business Combination</u>

(e) The Exchange seeks your views on the proposal to require the SPAC's founding shareholders and directors, the proposed directors of the resulting issuer, and the financial adviser to provide a statement in the Circular accepting responsibility for the disclosures in the Circular relating to the business combination, and target business(es) and/or asset(s). Please state the reasons for your views.

VI Other Proposed Rules

1 Other Proposed Rules

1.1 The proposed rules applicable to SPACs are set out in Appendix 2.

Question 16: Other Proposed Rules

The Exchange seeks your views on the other proposed SPAC rules set out in Appendix 2 for which comments are not specifically sought for in Questions 1 to 15 above.

Please propose any other approach and consideration that is relevant to establishing an effective SPACs Framework. Please also explain how your proposal is appropriate and reasonable.

Appendix 1 LAC Grounds of Decision

Listing Policy Referral: Proposed framework to allow the listing of Special Purpose Acquisition Companies ("**SPACs**") on the Mainboard of Singapore Exchange Securities Trading Limited ("**SGX-ST**")
Date of LAC's Advice: 26 January 2021

1. Background

1.1. In 2010, SGX conducted a public consultation on proposed amendments to the SGX ST Listing Manual (Mainboard Rules) to, among others, introduce the listing of SPACs ("**2010 Consultation**"). Due to the lack of optimism in market sentiments at the time, SGX eventually determined that it was not an opportune time to introduce the listing of SPACs then.

1.2. With the steady growth in overseas listings of SPACs in recent years, and coupled with interests in SPAC Initial Public Offerings ("**IPOs**") on SGX-ST from regional market participants, Singapore Exchange Regulation ("**SGX RegCo**") has revisited this area, and now proposes a revised framework on the listing of SPACs on the Mainboard of SGX-ST ("**Proposed Framework**").

2. Referral to the LAC

2.1. Pursuant to Rule 110(1)(a) of the SGX-ST Listing Manual (Mainboard Rules)[46], SGX RegCo referred the Proposed Framework to the LAC for its advice on the key proposed requirements thereunder. The LAC considered the matter at a meeting on 26 January 2021.

2.2. The specific issues posed by SGX RegCo to the LAC are set out in paragraph 4.1.

3. The Proposed Framework

3.1. Paragraphs 3.1.1 to 3.1.8 below set out the key features of SGX RegCo's Proposed Framework.

3.1.1. (A) Minimum market capitalisation: It is proposed that the SPAC has a minimum market capitalisation of S$300 million at IPO, based on the IPO issue price and post-invitation issued share capital.

3.1.2. (B) Maximum time frame for completion of Business Combination: It is proposed that the SPAC completes a potential acquisition of or merger with a target company ("**Business Combination**") within a maximum period of three years. The SPAC will be liquidated if it is unable to do so within this time frame. An extension of time may be permitted under limited circumstances. Such time extensions will require the approval of the independent shareholders via special resolution and SGX RegCo's indication of no objection.

[46] Mainboard Listing Rule 110(1)(a) states that "The Listing Advisory Committee shall as a panel of independent market professionals, render advice to the Exchange on matters referred to it by the Exchange. The Exchange may refer to the Listings Advisory Committee for review, matters including those arising from or in connection with listing policies."

3.1.3. (C) Percentage of IPO proceeds to be held in escrow account: It is proposed that the SPAC places at least 90% of the gross IPO proceeds raised in an escrow account.

3.1.4. (D) Market value of the target company relative to the amount in escrow account: While SPACs may consummate multiple concurrent acquisitions or mergers as part of the Business Combination, there should be one principal core business forming the value of at least 80% of the gross IPO proceeds held in escrow. Additionally, SGX RegCo proposes to require the appointment of a competent and independent valuer to value the target assets/business(es).

3.1.5. (E) Approval(s) required for Business Combination: It is proposed that a simple majority of both independent directors and independent shareholders' approval for the Business Combination is required.

3.1.6. (F) Requirement for Combined Entity to meet initial listing requirements: It is proposed that (i) the newly-formed entity upon completion of the Business Combination which will officially trade on SGX-ST as a typical public company ("**Combined Entity**") would generally not be required to meet the listing admission requirements of the Listing Manual following the completion of the Business Combination; (ii) a financial adviser ("**FA**"), who will be an accredited Issue Manager, must be appointed to advise the SPAC on the Business Combination; (iii) the shareholders' circular on the Business Combination must include prospectus-level disclosures; and (iv) a liquidation mechanism must be put in place whereby a change in Sponsor control of the SPAC prior to the consummation of the Business Combination, would trigger a liquidation event for the SPAC in the event approval from a special majority of the independent shareholders is not obtained for the change in Sponsor control. Cash distributions would be returned to the independent shareholders upon liquidation.

3.1.7. (G) Redemption and liquidation rights of shareholders: It is proposed for independent shareholders who vote against the Business Combination to be afforded the right to elect to receive a pro rata portion of the amount then held in the escrow account in cash in the event the Business Combination is approved and completed within the pre-determined period. Where the Business Combination is not completed within the pre-determined period, the remaining funds in escrow must be distributed in cash to all the independent shareholders on a pro rata basis.

3.1.8. (H) Requirement to mitigate dilution to shareholders remaining with the Combined Entity: It is proposed that (i) redemption rights would be limited to independent shareholders who vote against a Business Combination; (ii) the Sponsor, founding shareholder(s), management team and their respective associates are not entitled to vote on the Business Combination and are not afforded with redemption rights; and (iii) a simple majority of independent shareholders is required to approve the Business Combination. To mitigate potential dilutive impact to shareholders remaining with the Combined Entity, it is proposed to either require that (a) rights and/or warrants which may be issued with the SPAC shares at IPO to be attached to the common shares for trading, or (b) there be a maximum cap on the resultant dilutive impact to shareholders post-Business Combination arising from dilutive features such as the issuance of warrants and/or rights by the SPAC, in the event that the SPAC's shares trade separately from the warrants.

4. Issues for the LAC's advice

4.1. SGX RegCo sought the LAC's views on the following areas:

(i) Should the proposed maximum time frame to complete the Business Combination be shortened from three years to two years? ("**Issue 1**");
(ii) Should the FA for the Business Combination transaction be appointed by the independent shareholders? ("**Issue 2**");
(iii) Should there be measures imposed to mitigate dilution to shareholders remaining with the Combined Entity? ("**Issue 3**"); and
(iv) Should Business Combinations with targets that adopt a dual-class share structure be referred to the LAC? ("**Issue 4**").

5. Advice of the LAC

5.1. ***Issue 1: Should the proposed maximum time frame to complete the Business Combination be shortened from three years to two years?***

5.1.1. As the norm in other jurisdictions is to give SPACs a maximum time frame of three years to complete the Business Combination, it is likewise proposed, under the Proposed Framework, that SPACs should be given a maximum time frame of three years to complete their Business Combination. Sponsors may specify a shorter time frame to complete the Business Combination in the SPAC's constitution if they wish to, as it has been observed that most SPACs in other jurisdictions complete the Business Combination within two years from its listing. As such, the LAC's views were sought on whether the proposed maximum time frame for SPACs to complete the Business Combination should be shortened.

5.1.2. Some members of the LAC felt that giving SPACs a shorter maximum time frame would be desirable. Prior to formation of the SPAC, a good SPAC Sponsor should already have a strategy and a target industry for the Business Combination. As such, given the large sum of working capital involved[47] and the time value of money, the SPAC should execute its plans in a shorter time frame.

5.1.3. Some members of the LAC preferred giving SPACs a maximum three-year time frame. Allowing a three-year time frame would give SPACs more chances of negotiating and successfully completing a Business Combination. If the SPAC fails to complete a Business Combination, it would have a second chance for negotiation with another target company before the expiry of the deadline to complete a Business Combination.

5.1.4. The LAC also considered that, investors may be less concerned about the time frame and more concerned about the uncertainties surrounding the Business Combination. This risk is addressed by providing them with the right to vote against the Business Combination and the ability to redeem their shares at that point, and hence exit the SPAC. In addition, as the maximum three-year time frame has already been tried and tested in other jurisdictions, imposing a maximum two-year time frame may be disadvantageous and disenfranchise SGX as a SPACs listing venue.

[47] The proposed minimum market capitalisation for SPACs is S$300 million, with at least 90% of gross IPO proceeds raised placed in an escrow account. This translates to about S$30 million in working capital.

5.1.5. The LAC therefore agreed that the maximum three-year time frame for SPACs to complete their Business Combinations is appropriate.

5.1.6. A LAC member also suggested that SGX RegCo consider if any measures are needed to address the risk that SPACs in their third year might rush to complete a Business Combination by closing a less favourable transaction at the expense of shareholders.

5.2. ***Issue 2: Should the FA for the Business Combination transaction be appointed by the independent shareholders?***

5.2.1. The LAC was of the view that it would be more appropriate for the FA to be appointed by the SPAC, and not the independent shareholders. The LAC felt that it would be impractical to subject FA appointments to the scrutiny of individual SPAC shareholders before proceeding with Business Combination negotiations. Instead, the LAC advised that it may be more appropriate for the SPAC's board of directors to approve the FA as the board has a fiduciary duty to shareholders of the SPAC. Furthermore, the interests of independent shareholders will be protected as they have the right to exit the SPAC by voting against the Business Combination and redeeming their shares.

Proposed requirement to appoint an independent valuer

5.2.2. Under the Proposed Framework, it is proposed that an independent valuer be appointed to value the target assets/business(es). The LAC noted that this proposed requirement is benchmarked against that for Reverse Takeovers ("**RTO**") where an independent valuer is required to value the target business. While the role of the independent valuer is to value the target business, the role of the FA is to conduct due diligence on the Business Combination.

5.2.3. The LAC was of the view that the SPAC's board should be allowed to determine whether an independent valuer is necessary, for example, where technical or niche expertise is required. Otherwise, an FA would generally be competent to conduct the valuation. Requiring the engagement of a separate independent valuer may be a waste of the SPAC's monetary resources if the FA is able to conduct the valuation, and it would be easier for the SPAC to work with one party. In addition, the process should be streamlined to attract owners of good assets.

5.2.4. The LAC also felt that in some cases valuers would not be able to provide an accurate valuation of the business, for example, businesses in emerging markets. Ultimately, it is the market's function to price a stock and it is this dynamic that provides upside for investors of a SPAC.

Sponsor skin-in-the-game

5.2.5. Some members of the LAC suggested that if Sponsors demonstrate alignment of their interest with shareholders of the SPAC by having a certain percentage of shareholding in the SPAC, other requirements (such as the appointment of an independent valuer) can be removed and left to market discipline.

5.2.6. However, the LAC also considered that such a requirement was not prescribed in the U.S., and for Singapore to compete effectively, it should not deviate too greatly from the other international exchanges. In any case, if Sponsors do not have some form of skin in the game, investors may not

be willing to invest in the SPAC. The LAC noted that investors would evaluate Sponsors before deciding to invest in the SPAC IPO, and such market forces would shape the Sponsors' participation stake in the SPAC.

Minimum market capitalisation

5.2.7. The LAC discussed whether the proposed minimum market capitalisation of SPACs was sufficient to attract institutional investors. The LAC agreed that increasing the participation of institutional investors would be beneficial as their expertise in the market and activism would help to enforce market discipline.

5.2.8. Some members of the LAC were of the view that the minimum market capitalisation for SPACs could be raised from S$300 million to S$500 million. Other members were of the view that the proposed S$300 million threshold is acceptable as the market capitalisation of the Combined Entity would likely increase after a Business Combination is completed due to the issuance of new shares to the vendors of the target company.

Calibration for quality

5.2.9. The LAC advised that the various views about the need for an independent valuer, Sponsors having a certain percentage of shareholding in the SPAC to align their interest with shareholders, and the minimum market capitalisation of SPACs were inter-related considerations on the issue of Sponsor quality. SGX RegCo should consider these as factors to balance and calibrate. The LAC emphasised that identifying good quality Sponsors is important.

5.3. ***Issue 3: Should there be measures imposed to mitigate dilution to shareholders remaining with the Combined Entity?***

5.3.1. In jurisdictions where SPAC shareholders are able to redeem their shares but still retain their warrants, there is a potential significant dilutive impact to the shareholders remaining in the Combined Entity. In some observed cases, shareholders had voted in favour of the Business Combination proceeding, but subsequently as high as 80% of the shareholders redeemed their shares whilst retaining their warrants. As a result, a small percentage of remaining shareholders was left to bear the resultant dilution effect arising from the additional financing required to complete the Business Combination.

5.3.2. The LAC considered that other jurisdictions did not have the proposed restrictions on redemption of shares, but noted that this issue has been increasingly recognised by the media and academia as a key risk of SPACs. The LAC was also concerned that retail investors may not properly understand this aspect of the risks associated with SPACs.

5.3.3. The LAC was therefore supportive of measures being imposed to minimise potential significant dilution to shareholders remaining with the Combined Entity.

5.4. ***Issue 4: Should Business Combinations with targets that adopt a dual-class share structure be referred to the LAC?***

5.4.1. In SGX RegCo's "*Response to Comments on Consultation Paper on the Proposed Listing Framework for Dual Class Share Structures*" published on 26 June 2018, SGX RegCo stated that initial cases involving listing applicants with a dual class share ("**DCS**") structure would be referred to the LAC for advice.

5.4.2. SGX RegCo sought the LAC's views on whether cases involving Business Combinations seeking to adopt a DCS structure for the Combined Entity should be referred to the LAC.

5.4.3. The LAC noted that the parameters for DCS listing applications have been sufficiently defined following the public consultation and subsequent implementation of the DCS framework in 2018. Since then, the LAC has reviewed two DCS cases.

5.4.4. The LAC was of the view that it is not necessary for all future DCS cases to be automatically referred to the LAC for advice. SGX RegCo could determine at its discretion whether a DCS case should be referred to the LAC, for example if there is a novel element that is not addressed under the DCS framework.

5.5. ***Other Aspects of the Proposal***

5.5.1. Having addressed the issues posed by SGX RegCo, the LAC considered other aspects of the Proposed Framework.

Encouraging Local Firms' Participation in SPAC Listings

5.5.2. The LAC asked SGX RegCo to consider how to ensure that there is a level playing field for local firms to participate in the SPACs arena.

Minimum Share Price

5.5.3. As retail investors may not be familiar with the risks of SPACs, the LAC suggested that a higher minimum share price could be considered for SPAC shares at IPO which may in turn lead retail investors to consider carefully the features of a SPAC, including the higher initial outlay, before participating in a SPAC IPO.

6. Conclusion

6.1. The LAC was supportive of the introduction of a framework for listing SPACs on the Mainboard. The LAC's views on the four issues raised by SGX RegCo are summarised as follows:

(1) Issue 1: The LAC was of the view that the proposed maximum time frame of three years for SPACs to complete their Business Combinations is appropriate.

(2) Issue 2: The LAC was of the view that the FA for the Business Combination should be appointed by the SPAC and not by the independent shareholders.

(3) Issue 3: The LAC agreed with SGX RegCo's proposal to introduce measures to mitigate the risk of significant dilution to the shareholders remaining with the Combined Entity.

(4) Issue 4: Future DCS cases, including Business Combinations with DCS structures, need not be automatically referred to the LAC for advice.

Appendix 2 Proposed Amendments to Mainboard Rules

Legend: Deletions are struck-through and insertions are underlined.

Definitions and Interpretation

"business combination"

the initial acquisition of operating business or asset by a SPAC under Rule 210(11)(l)(iii), which has a fair market value equal to at least 80% of the amount in the SPAC's escrow account at the time of entry into the binding agreement for the business combination transaction. Such acquisition may be in the form of a merger, share exchange, asset acquisition, share purchase, reorganisation, or such other similar business combination methods, in accordance with the business strategy and acquisition mandate disclosed in the prospectus issued in relation to the SPAC's IPO. Where the SPAC consummates multiple concurrent acquisitions as part of the business combination, there must be at least one initial acquisition which satisfies the requirement of having a fair market value constituting at least 80% of the amount in the SPAC's escrow account at the time of entry into the binding agreements for the business combination transactions, and such concurrent transactions must be inter-conditional and completed simultaneously within the permitted time frame

"founding shareholder"

persons who founded, initially financed or sponsored the establishment of a SPAC

"management team"

in relation to a SPAC, includes the executive directors and executive officers of the SPAC

"public"

persons other than:-

(a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the issuer or its subsidiary companies;

(b) associates of the persons in paragraph (a); and

(c) founding shareholders and management team of a SPAC, and their associates

"resulting issuer"

the resultant combined entity that trades on the SGX-ST upon the completion of a business combination by a SPAC

"special purpose acquisition company" or "SPAC"

a company with no prior operating history, operating and revenue-generating business or asset at the point of the IPO, and raises proceeds for the sole purpose of undertaking a business combination in accordance with the business strategy and acquisition mandate disclosed in the prospectus issued in relation to the SPAC's IPO

Chapter 2 Equity Securities

Part III SGX Mainboard Listings

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An issuer applying for listing of its equity securities on the SGX Mainboard must meet the following conditions:-

(11) Special Purpose Acquisition Company or SPAC

(a) An issuer that intends to list as a SPAC must be suitable for listing and is not permitted to adopt a dual class share structure at IPO. In assessing the suitability of the SPAC, the Exchange may take into account any factor it considers relevant including, but not limited to, the factors set out in Practice Note 6.4.

Quantitative Criterion

(b) Market capitalisation of not less than S$300 million based on the issue price and post-invitation issued share capital.

Shareholding Spread

(c) At least 25% of its total number of issued shares excluding treasury shares must be held by at least 500 public shareholders.

Issue Price

(d) The issue price of the securities offered for subscription or sale, for which a listing is sought, must be at least S$10 each. Securities may consist of a share and warrant (or other convertible securities).

Jurisdiction of Incorporation

(e) An issuer seeking to list as a SPAC must be incorporated in Singapore.

Minimum Equity Participation

(f) The issuer's founding shareholders and management team must, in aggregate, subscribe for a minimum value of securities (at the IPO issue price) based on the following requirements:

Market Capitalisation (S$ million) **("M")**	**Aggregate minimum value of shares or units subscribed based on the IPO issue price** **(S$ million)**
$300 \leqslant M < 500$	10
$500 \leqslant M < 1,000$	15
$M \geqslant 1,000$	20

Board Committees

(g) The majority of each of the committees performing the functions of an audit committee, a nominating committee and a remuneration committee, including the respective chairmen, must be independent.

Moratorium

(h)

(i) The moratorium requirements specified in Rules 227, 228 and 229 must be satisfied. The period of moratorium specified in Rules 229(1) to (4) commences on the date of listing up to and including the completion date of the business combination.

(ii) The moratorium requirements specified in Rules 227, 228 and 229 are applicable to the founding shareholders, the management team, and their respective associates. The period of moratorium specified in Rule 229 commences on the date of listing up to and including the completion date of the business combination.

(iii) Following the completion of the business combination, the entire shareholdings of (A) the founding shareholders and the management team of the issuer, and their associates; and (B) the controlling shareholders of the resulting issuer and their associates, and executive directors of the resulting issuer with an interest in 5% or more of the issued share capital of the resulting issuer, will be subject to moratorium for a period of at least 6 months from the date of completion of the business combination. The issuer and the financial adviser appointed to advise on the business combination must demonstrate to the Exchange the appropriateness of the moratorium period to ensure alignment of interests of the aforementioned persons in respect of the business combination.

IPO Proceeds and Escrow Requirements

(i)

(i) Immediately upon listing on the Exchange, the issuer must place at least 90% of the gross funds raised from its IPO in an escrow account opened with and operated by an independent escrow agent which is part of a financial institution licensed and approved by the Monetary Authority of Singapore. The amount placed in the escrow account cannot be drawn down except for the purpose of the business combination, on liquidation of the issuer or such other circumstances set out in Practice Note 6.4.

(ii) The escrow agent appointed by the issuer must be independent of the founding shareholders, the management team, and their associates.

(iii) The issuer must secure and maintain the escrow arrangement(s) at all times over the funds in the escrow account until the termination of the escrow account in accordance with Rule 210(11)(i)(v).

(iv) The issuer shall only be permitted to hold its assets in permitted investments in the form of cash or cash equivalent short-dated securities of at least A-2 rating (or an equivalent) until completion of a business combination that meets the Exchange's requirements.

(v) The issuer may invest the escrowed funds in permitted investments in accordance with Rule 210(11)(i)(iv) and the escrow agreement governing the escrowed funds must provide for:

(A) The termination of the escrow account and release of the escrowed funds on a pro rata basis to shareholders who exercise their redemption rights in accordance with Rule 210(11)(l)(ix) and the remaining escrowed funds to the issuer, if the issuer completes a business combination within the permitted time frame; and

(B) The termination of the escrow account and the distribution of the escrowed funds to shareholders (other than the founding shareholders, the management team, and their associates in respect of all equity securities owned or acquired by them prior to or pursuant to the IPO) in accordance with the terms of Rules 210(11)(m)(i) to (iii).

The content of the escrow agreement must comply with the requirements as set out in paragraph 4 of Practice Note 6.4.

(vi) The IPO proceeds that are not placed in the escrow account, and interest or other income earned on the escrowed funds from permitted investments, may be applied as payment for administrative expenses incurred by the issuer in connection with the IPO, for general working capital expenses and for the purpose of identifying and completing a business combination.

Issue of Warrants and Other Convertible Securities

(j) Where any warrants or other convertible securities are issued in connection with the IPO, these convertible securities must comply with the following requirements:

(i) Part VI of Chapter 8;

(ii) only one class of warrants or other convertible will be permitted and the exercise price of warrants or other convertible securities must not be lower than the price of the ordinary shares offered for the IPO;

(iii) the warrants or other convertible securities are non-detachable from the ordinary shares and must not be exercisable prior to the completion of the business combination;

(iv) the warrants or other convertible securities must not have an entitlement to the funds held in the escrow account upon liquidation of the issuer or redemption of the ordinary shares by shareholders who have voted against the business combination; and

(v) the tenure of the warrants or other convertible securities must expire on the earlier of the (A) maximum tenure under the issuance terms as stated in the prospectus issued in connection with the issuer's IPO; or (B) permitted time frame for completion of a business combination where no business combination is completed within such time period.

Additional Continuing Listing Requirements Prior to Completion of a Business Combination

(k)

(i) Prior to the completion of a business combination, the Exchange may permit the issuer to raise additional funds through the issue of equity securities where (A) the issuance is made on a pro rata basis and in accordance with the requirements in Chapter 8; (B) at least 90% of the gross proceeds raised are placed in escrow in accordance with Rule 210(11)(i)(i); and (C) the proceeds raised are for the purpose of financing the business combination and/or related administrative expenses.

(ii) The issuer shall not be permitted to obtain any form of debt financing (excluding short term trade or accounts payables in the ordinary course of business) other than contemporaneous with, or after, completion of its business combination provided that the (A) funds in the escrow account must not be used as collateral or subject to encumbrance for the debt financing; and (B) funds drawn down from the debt financing must be applied towards the financing of the business combination and/or related expenses. A credit facility may be entered into prior to completion of a business combination, but should be drawn down contemporaneous with, or after completion of a business combination.

(iii) The issuer must not provide any financial assistance to any person or entity until it has fully financed or satisfied the consideration of the business combination and the ownership of the business(es) or asset(s) acquired under the business combination is beneficially and legally vested with the resulting issuer.

(iv) The issuer will not be permitted to adopt any security-based compensation arrangement prior to the completion of a business combination.

Business Combination

(I)

(i) Subject to Rule 210(11)(I)(ii), the issuer must complete a business combination within 36 months from the date of listing of its IPO. Where the business combination comprises of more than one acquisition, the issuer must complete each of the acquisitions simultaneously on or around the same day, and each of the acquisitions must be in separate and inter-conditional resolutions.

(ii) The issuer may apply to the Exchange for an extension of time to complete the business combination and specifically obtain the approval of a majority of at least 75% of the votes cast by independent shareholders at a general meeting to be convened. Such extension of time is permitted under exceptional circumstances and any application for extension of time must be submitted to the Exchange at least 1 month before expiry of the permitted time frame.

For the purpose of voting on the extension of time to complete the business combination, the founding shareholders, the management team, and their associates, are not considered independent. The Exchange retains the discretion to reject an application for extension of time if the Exchange is of the opinion that there is no reasonable justification for the time extension and/or it is in the interests of the public to do so.

(iii) The initial business or asset acquired pursuant to the business combination must have a fair market value of at least 80% of the amount in the escrow account at the time of entry into the binding agreement for the business combination transaction, excluding any amount held in the escrow account representing deferred underwriting fees and any taxes payable on the income earned on the escrowed funds.

Where the SPAC consummates multiple concurrent acquisitions or mergers as part of the business combination, there must be at least one initial acquisition which satisfies the requirement of having a fair market value constituting at least 80% of the amount held in the escrow account at the time of entry into the binding agreements for the business combination transactions, and such concurrent transactions must be inter-conditional and completed simultaneously within the permitted time frame.

(iv) The issuer must appoint (A) a financial adviser, who is an issue manager, to advise on the business combination; and (B) a competent and independent valuer to value the business(es) or asset(s) to be acquired under the business combination. A summary valuation report must be included in the shareholders' circular in relation to the business combination.

The financial adviser is expected to have regard to the due diligence guidelines issued by The Association of Banks in Singapore when conducting due diligence on the business combination.

(v) The business combination must result in the resulting issuer having an identifiable core business of which it has a majority ownership and/or management control. The Exchange may consider a business combination involving an acquisition of a minority stake in the business(es) or asset(s), where the resulting issuer can demonstrate that it has management control of such business(es) or asset(s).

(vi) The resulting issuer pursuant to the completion of the business combination must satisfy, where applicable, Rules 210(1) to 210(10), 211(A) and 229A.

(vii) The business combination must be respectively approved by a simple majority of independent directors, and an ordinary resolution passed by independent shareholders at a general meeting to be convened. For the purpose of voting on the business combination, the founding shareholders, the management team, and their associates, are not considered as independent.

(viii) Chapter 9 applies where the business combination is (A) an interested person transaction; or (B) entered into with the founding shareholders, members of the management team, and/or their respective associates. The shareholders' circular in relation to the business combination must contain an opinion from an independent financial adviser and the issuer's audit committee stating that the terms of the transaction are on normal commercial terms and are not prejudicial to the interest of the issuer and its minority shareholders.

(ix) Each independent shareholder (other than (A) the founding shareholders, the management team, and their respective associates; and (B) the independent shareholders who vote for the business combination) voting against the business combination shall be entitled to redeem his ordinary shares, on a pro rata basis, of the amount in the escrow account at the time of the business combination vote, provided that the business combination is approved and completed within the permitted time frame. Such amounts must be paid to the electing independent shareholder as soon as practicable upon completion of the business combination, and shares tendered in exchange for cash must be cancelled. Any warrants (or other convertible securities) attached to the redeemed shares shall cease and become null and void.

Liquidation

(m)

(i) Prior to completion of the business combination, in the event a material change occurs in relation to the profile of the founding shareholders and/or the management team which may be critical to the successful founding of the issuer and/or successful completion of the business combination, the issuer shall seek approval of a majority of at least 75% of the votes cast by independent shareholders at a general meeting to be convened for the continued listing of the issuer on the Exchange. For the purpose of voting on the continued

listing of the issuer, the founding shareholders, the management team, and their associates, are not considered as independent.

The Exchange retains discretion to determine a circumstance an event of material change under this rule.

(ii) Where the issuer (A) fails to complete a business combination within the permitted time frame; (B) fails to obtain specific shareholders' approval in Rule 210(11)(m)(i); or (C) is directed to delist by the Exchange before the completion of a business combination in accordance with Rule 210(11)(o), the issuer shall be liquidated. The amount held in the escrow account at the time of the liquidation distribution (and such other accounts held by the issuer), net of taxes payable and direct expenses related to the liquidation distribution, shall be distributed to shareholders on a pro rata basis as soon as practicable, as permissible by the relevant laws and regulations. Any interest, income derived and deferred underwriting commissions accrued in the escrow account will form part of the liquidation distribution.

(iii) The founding shareholders, the management team, and their associates must waive their right to participate in the liquidation distribution in respect of all equity securities owned or acquired by them prior to or pursuant to the IPO.

(iv) The underwriters of the IPO must waive their rights to any deferred underwriting commissions deposited in the escrow account in the event the issuer liquidates prior to completion of the business combination.

Delisting

(n) If the issuer fails to (i) complete a business combination within the permitted time frame; or (ii) obtain specific shareholders' approval in Rule 210(11)(m)(i), the Exchange will delist the issuer's securities on or about the date on which the liquidation distribution is completed.

(o) The Exchange will consider whether the continued listing of the resulting issuer after completion of the business combination will be in the best interests of the Exchange and the public, and will have the discretion to suspend, direct the commencement of the liquidation distribution in accordance with Rules 210(11)(m)(ii) to (iv) and delist the issuer's securities prior to completion of the business combination.

For the avoidance of doubt, a SPAC seeking listing of its equity securities on the SGX Mainboard must satisfy Rules 210(5), 210(7), 211A, 219, 223 to 224, 230 to 234, 239 to 240 and 242 to 250.

Chapter 6 Prospectus, Offering Memorandum and Introductory Document

Part II Content of Prospectus, Offering Memorandum and Introductory Document

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Where an issuer is seeking a primary listing by way of an introduction pursuant to Rule 235 or where an issuer is seeking a listing through a reverse takeover pursuant to Rule 1015 or where a SPAC is seeking shareholders' approval for a business combination, the introductory document or the shareholders' circular must comply with the prospectus disclosure requirements in the SFA, with the necessary adaptations.

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Part VI Additional Requirements For Special Acquisition Purpose Companies

Apart from complying with applicable law and Part II of this Chapter, a prospectus or an offering memorandum or introductory document issued by a SPAC in connection with a listing on the Exchange, should contain the following additional information:

(1) Full disclosure of the issuer's structure and inherent risk factors;

(2) Acquisition mandate and conditions (including the target business sector, types of asset, or geographic area for the purposes of undertaking a business combination);

(3) Business strategy including selection criteria or factors of the business combination;

(4) A statement by the directors that the issuer has not entered into written binding acquisition agreement with respect to a potential business combination;

(5) Profile including the track record and repute of the founding shareholders and the management team (including investment, merger and acquisition and/or operating experience, and ability to create value for shareholders);

(6) Terms of (a) the initial investment in the issuer by; and (b) the benefits and/or rewards prior to or upon completion of the business combination that would be provided to, the founding shareholders, the management team, and their associates (including justification for any discounts to the initial investment, and value of the benefits and/or rewards, and commentary on the alignment of their interests with the interests of other shareholders);

(7) Prominent disclosure on the impact of dilution to shareholders due to (a) there being less equity contribution from the founding shareholders in respect of their shares and such other known dilutive factors or events; and (b) mitigating measures taken to minimize impact of dilution to shareholders;

(8) Nature of the permitted investment(s) made with the escrowed funds by the escrow agent, as well as any intended use of the interest or other proceeds earned on the escrowed funds from the permitted investment(s);

(9) Voting, redemption and liquidation rights of independent shareholders. This includes (a) basis of computation for pro rata entitlement in the event of a redemption of shares and liquidation of the issuer; and (b) any threshold on the aggregate percentage of shares owned by independent shareholders who exercise their conversion rights beyond which the issuer will not proceed with the business combination, and the basis for the quantum set;

(10) Pertinent terms of any arrangement or agreement with the founding shareholders and the management team. This includes the nature and extent of management compensation such as whether the directors and the executive officers will be entitled to any compensation prior to consummation of the business combination, and if so, the basis for such management compensation taking into account any equity interests given, and the estimated annual aggregate compensation to be paid to the directors and the executive officers prior to consummation of the business combination;

(11) Potential conflicts of interests between the issuer and the founding shareholders, the directors and the management team, and their associates (including measures to address potential conflicts of interests where the issuer pursues a business combination target in which the aforementioned persons or entity have an interest in);

(12) Potential conflicts of interests a financial advisor and underwriters may have in providing additional services to the issuer such as identifying potential business combination targets, including description of the potential additional services, fees and commissions, and whether any commissions are conditional and deferred;

(13) With reference to Rule 210(11)(m)(i), in the event of a material change that occurs prior to completion of the business combination in relation to the profile of the founder shareholders and/or the management team which may be critical to the successful founding of the issuer and/or successful completion of the business combination, the issuer will seek a majority approval of at least 75% of the votes cast by independent shareholders at a general meeting to be convened;

(14) Valuation methodologies intended to be used in valuing the business combination, if known;

(15) Confirmation by the directors that the issuer will not obtain any form of debt financing and provide financial assistance in accordance with Rules 210(11)(k)(ii) and (iii); and

(16) Information required in Rule 832 (where warrants or other convertible securities are issued by the issuer in connection with the IPO).

Chapter 7 Continuing Obligations

Part XI SPAC – Continuing Listing Obligations

754

While the issuer remains on the Official List of the SGX Mainboard, it must comply with the listing rules in Chapters 7 to 13, and the following additional requirements:

Change of Acquisition Mandate

(1) Any proposed change of acquisition mandate for the business combination must be approved by a majority of at least 75% of the votes cast by independent shareholders at a general meeting to be convened.

Notification of Change in Information

(2) The issuer must immediately announce via SGXNET:

(a) any material change to the information disclosed in the prospectus of the IPO including any change of the escrow agent of its escrow account and change in the permitted investments;

(b) upon becoming aware that it will not be able to complete its business combination within the permitted time frame, immediately announce this fact, and the reasons for the inability to complete; and

(c) any material change described in Rule 210(11)(m)(i).

Business Combination

(3) The issuer must provide quarterly updates of cash utilisation and milestones in securing a business combination that meets the Exchange's requirements via SGXNET, including information set out in Practice Note 6.4.

(4) An issuer which has yet to complete a business combination is not permitted to undertake share buy-backs.

(5) When seeking shareholders' approval for a business combination, the shareholders' circular must contain the following:

(a) Prominent disclosure that shareholders' rights to redeem their shares for cash in the escrow account are only available to the independent shareholders who vote against the business combination, provided that the business combination is approved and completed;

(b) Information required in Rules 1015(5)(a) and (b);

(c) Valuation methodologies used in valuing the business combination, and explanation if such methodologies is not in line with that disclosed in the prospectus of the IPO; and

(d) A responsibility statement by the founding shareholders and the directors of the issuer, the proposed directors of the resulting issuer, and the financial adviser, in the form set out in Practice Note 12.1; and

(6) Following completion of the business combination, the issuer will be subject to the continuing listing obligations in Chapters 7 to 13, and will no longer need to comply with the additional requirements under this rule.

Chapter 8 Changes in Capital

Part XIII Share Buy-Back

Shareholder Approval

883A

Rules 881 to 883 and 884 to 885 are not applicable to an issuer which purchases its own shares for the purpose of Rule 210(11)(l)(ix) in paying a pro rata portion of the amount held in the escrow account to independent shareholders who voted against the business combination proposed to be undertaken. The issuer must immediately cancel all the shares it purchased and make an announcement on the shares cancellation.

Chapter 13 Trading Halt, Suspension and Delisting

Part IV Delisting

1305

The Exchange may remove an issuer from its Official List (without the agreement of the issuer) if:-

(3) in the opinion of the Exchange, it is appropriate to do so; ~~or~~

(4) the issuer has no listed securities; or

(5) in relation to an issuer listed as a SPAC, any of the circumstances set out under Rules 210(11)(n) and (o) occurs.

1308

(1) Rules 1307 and 1309 do not apply to a delisting pursuant to:-

(a) a voluntary liquidation; ~~or~~

(b) an offer under the Takeover Code provided that the offeror is exercising its right of compulsory acquisition; or

(c) in relation to an issuer listed as a SPAC, any of the circumstances set out under Rules 210(11)(n) and (o).

Chapter 14 Disciplinary and Appeals Procedures, and Enforcement Powers of the Exchange

Part II Types of Committees

Appeals Committee

1404

(1) The Appeals Committee shall hear and decide appeals arising from:

(b) decisions of the Exchange relating to any of the following matters:

(vii) rejection of an application to exit from the watch-list under Rule 1314; ~~and~~

(ix) rejection of an application for extension of time to submit an application to exit from the watch-list under Rule 1315; and

(x) rejection of an application for extension of time to complete a business combination under Rule 210(11)(l)(ii).

Proposed Practice Note 6.4

Requirements for Special Purpose Acquisition Companies

Details	**Cross References**
Issue date: [to be advised] Effective date: [to be advised]	Listing Rule 210(11)(a) Listing Rules 210(11)(i)(i) and (v) Listing Rule 754(3)

1. Introduction

This Practice Note sets out guidance on the requirements for SPACs. Issuers should apply the principles outlined in the Practice Note flexibly and sensibly.

2. General Principle

2.1 In demonstrating the suitability of a SPAC for listing, the issue manager must holistically consider the following factors:

(a) the business objective and strategy of the issuer;

(b) the profile including the track record and repute of the founding shareholders, and experience and expertise of the management team of the issuer;

(c) the alignment of interests of the founding shareholders and the management team with the interest of other shareholders, including potential losses and returns to the founding shareholders and the management team, and other shareholders;

(d) the sufficiency of gross proceeds to be raised from the IPO to undertake a business combination which will (i) enable the resulting issuer to have an identifiable core business with sufficient size and scale; and (ii) offer reasonable returns to shareholders based on equity capital employed;

(e) the proportion of rewards to be enjoyed by the founding shareholders and the management team as compared to the expected and timing of shareholder value creation;

(f) the quantum of discount to the IPO issue price at which securities of the issuer are issued to the founding shareholders and the management team, if any;

(g) the intended use of IPO proceeds not placed in the escrow account;

(h) the dilutive features and events which impact shareholders, and whether there are any mitigants for such dilution; and

(i) the escrow arrangements governing the funds in the escrow account.

3. Guidance on Suitability Assessment Factors of a SPAC

3.1 The Exchange may, in its discretion, take into account any factor it considers relevant in assessing the suitability of a SPAC for listing. In exercising its discretion, the Exchange will consider factors including, but not limited to, the following:

(a) the profile including the track record and repute of the founding shareholders and experience and expertise of the management team of the issuer;

(b) the nature and extent of the management team's compensation;

(c) the extent of the founding shareholders and the management team's equity ownership in the issuer;

(d) the alignment of interests of the founding shareholders and the management team with the interest of other shareholders;

(e) the amount of time permitted for completion of the business combination prior to the liquidation distribution;

(f) the dilutive features and events of the issuer, including those which may impact shareholders and whether there are any mitigants for such dilution;

(g) the percentage of amount held in the escrow account that must be represented by the fair market value of the business combination; and

(h) such other factors as the Exchange believes are consistent with the goals of investor protection and the public interest.

3.2 The management team is expected to possess the appropriate experience and track record and demonstrate that it will be capable of identifying and evaluating acquisition targets, completing the business combination and managing the company sustainably based on the business objective and strategy disclosed in the prospectus. The issue manager must demonstrate that the management team has the requisite collective experience and track record, which include having:

(a) sufficient and relevant technical and commercial experience and expertise;

(b) positive track record in relevant industry and business activities including (i) specific contribution to business growth and performance; (ii) ability to manage relevant business operations risks; and (iii) ability to identify and develop acquisition opportunities; and

(c) positive corporate governance and regulatory compliance history.

4. Additional Requirements for Escrow Agreement

4.1 The escrow agreement provisions should include the following:

(a) the governing law is Singapore law;

(b) the obligation by the escrow agent to disclose any confidential or other information to the Exchange upon request;

(c) the obligation by the escrow agent to take appropriate measures to ensure proper safekeeping, custody and control of the funds held in the escrow account, including that proper accounting records and other related records as necessary are retained in relation to the escrow account; and

(d) where the escrow agent resigns or ceases to act for the issuer prior to the liquidation of the escrow account, the escrow agent is required to give three months' notice in writing to the Exchange if it wishes to resign, stating its reasons for resignation. The issuer is similarly required to give three months' notice in writing to the Exchange if it wishes to terminate the escrow agent's appointment, stating its reasons for termination. Any resignation or termination arrangement shall be carried out in compliance with Rule 210(11)(i)(iii).

5. Contents of Quarterly Updates via SGXNET

5.1 The SGXNET announcement update required under Rule 754(3) must include the following information:

(a) General description of the issuer's operating expenses and the total amounts spent;

(b) Detailed description, analysis and discussion on the top 5 highest amount of operating expenses;

(c) A statement by the directors of whether there is any circumstance that has affected or will affect the business and financial position of the issuer;

(d) Commentary from the directors on the direction and progress of the business combination, including any change to the objective, strategy, status and capital of the issuer;

(e) In relation to the funds placed in the escrow account, the composition of the permitted investments, the issuer's investment strategy, market and credit risks for such investments; and

(f) Brief explanation of the status of (i) utilisation of proceeds from IPO, compared with the disclosure of the intended use of proceeds in the prospectus, segregated between those placed in the escrow account from those which are not, including explanation for any material deviation in the use of proceeds; and (ii) utilisation of any interests and income derived from the amounts placed in the escrow account.

6. Event of Material Change prior to Business Combination

6.1 Examples of circumstances that may constitute an event of material change as described in Rule 210(11)(m)(i) includes:-

(a) a change in control of the founding shareholders; and

(b) resignation and/or replacement of key members of the management team (which are not due to natural cessation events).

The circumstances above are not intended to be exhaustive. In the event of any uncertainty, the issuer should consult and clarify with the Exchange as soon as possible. The Exchange retains discretion to determine a circumstance an event of material change.

7. Circumstances for Escrow Funds Draw Down

7.1 The issuer may draw down the amount placed in the escrow account prior to completion of a business combination in the following circumstances:

(a) upon election by a shareholder to have its shares redeemed by the issuer when voting against a proposed business combination and if the business combination is approved and completed within the permitted time frame;

(b) upon a liquidation of the issuer;

(c) solely in respect of the interest earned and income derived from the amount placed in the escrow account, such interest and income is permitted for draw down by the issuer as payment for administrative expenses incurred by the issuer in connection with the IPO, general working capital expenses and related expenses for the purposes of identifying and completing a business combination; and

(d) upon such other exceptional circumstances apart from those stipulated in (a) to (c).

The issuer must obtain (i) the Exchange's approval; and (ii) at least 75% of the votes cast by independent shareholders at a general meeting to be convened, for a draw down on the amount held in escrow account for the purposes of (d).

8. Additional Disclosure Requirements for Shareholders' Circular for the Business Combination

8.1

(a) Aggregate fair market value of the business combination in monetary terms and as a percentage of the amount held in the escrow account, net of any taxes payable (including basis of such value);

(b) The details of how the target business(es) or asset(s) was identified, evaluated and decided for business combination;

(c) A statement on whether the selection criteria or factors of the business combination are in line with those disclosed in the prospectus and relevant commentary on any variations from such selection criteria or factors, if any;

(d) The status of the utilisation of proceeds raised from the IPO, compared with the disclosure of the intended use of proceeds in the prospectus, segregated between those placed in the escrow account from those which are not, including explanation for any material deviation in the use of proceeds;

(e) The details of any additional financing including issuance of securities and credit facility entered into, including the salient terms and proposed utilisation of funds;

(f) Voting, redemption and liquidation rights of independent shareholders in relation to the business combination. This includes:

(i) basis of computation for pro rata entitlement for redemption and liquidation;

(ii) any threshold on the aggregate percentage of shares owned by independent shareholders who exercise their conversion rights beyond which the issuer will not proceed with the business combination, and the basis for the quantum set;

(iii) the process for those who elect to redeem their shares for cash and the timeframe for payment; and

(iv) the terms and procedures for the liquidation distribution upon failure to meet the permitted time frame to complete a business combination.

(g) Prominent disclosure on dilutive impact to shareholders arising from known dilutive features and events including additional financing obtained for the business combination and new issuance of securities;

(h) Pertinent terms of any side voting arrangement or agreement entered into by the SPAC with shareholders including the impact of such arrangement or agreement to shareholders;

(i) Potential conflicts of interests between the issuer and the founding shareholders, the directors and the management team, and their associates (including measures to address potential conflicts of interests where the issuer pursues a business combination target in which the aforementioned persons or entity have an interest in);

(j) Potential conflicts of interests a financial adviser and underwriters may have in providing additional services to the issuer such as identifying potential business combination targets, including description of the additional services, fees and commissions, and whether any commissions were conditional and deferred;

(k) The details of any benefits and compensation received by the founding shareholders, the directors and the management team, and their associates arising from the completion of the business combination; and

(l) The details of the ownership interest in and continuing relationship of the founding shareholders, the directors and the management team, and their associates with the resulting issuer.

Appendix 3 Consequential Amendments to Mainboard Rules

Legend: Deletions are struck-through and insertions are underlined.

Chapter 2 Equity Securities

Part X Listing Procedures

Contents of Application

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(15) For an issuer seeking to list as a SPAC, the escrow agreement governing the escrowed funds.

Documents to be Submitted After Approval In-Principle and Before the Prospectus, Offering Memorandum or Introductory Document is Issued

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As soon as practicable after the company receives approval in-principle for listing from the Exchange but in any event not later than the date of issue of the prospectus, offering memorandum or introductory document, the following must be submitted: -

(9) Copies of the letters of consent to act from directors, valuers, solicitors, issue managers, registrars and other professional firms, if applicable; ~~and~~

(10) The required number of copies of the prospectus, offering memorandum or introductory document~~.~~; and

(11) A signed copy of the escrow agreement, if any.

Documents to be Submitted Before Trading Commences

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As soon as practicable before trading commences, or after the close of the offering, the following documents must be submitted:-

(3) Confirmation by the issue manager that Rule 210(1) ~~or Rule 211(1)~~, Rule 210(11)(c) and Rule 240 have been complied with;

Chapter 6 Prospectus, Offering Memorandum and Introductory Document

Part 1 Scope of Chapter

601

This Chapter sets out the requirements of a prospectus, offering memorandum and introductory document. Apart from complying with Part II of this Chapter, investment funds, life science companies, ~~and~~ mineral, oil and gas companies and special purpose acquisition companies must also comply with the requirements in Part III, Part IV, ~~and~~ Part V and Part VI respectively.

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