Responses to Comments on Consultation Paper

Proposed Listing Framework for Special Purpose Acquisition Companies

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Singapore Exchange

Contents

I Introduction

1 Background

1.1 On 31 March 2021, SGX issued a "Consultation Paper on Proposed Listing Framework for Special Purpose Acquisition Companies" ("**Consultation**"), to seek public feedback, views and suggestions on SGX's proposal to introduce a primary listing framework for Special Purpose Acquisition Companies ("**SPACs**") on the Mainboard of Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**SPACs Framework**"), with the possible proposals and safeguards for minority investors. The Consultation closed on 28 April 2021. This paper sets out SGX's response to feedback received for the proposed SPACs Framework.

2 Feedback

2.1 SGX has carefully considered all the comments received and further engaged stakeholders. Where appropriate, revisions have been made to the proposals to address the feedback received. The list of respondents can be found in Appendix 1, and the finalised amendments to the Mainboard Rules are set out in Appendix 2 and Appendix 3.

2.2 An overwhelming majority of respondents to the Consultation supported SGX's proposed SPACs Framework in general. Many respondents had differing views on particular aspects of the proposals such as those in relation to the admission requirements for SPACs, the detachability of the warrants (and other convertible securities) from the underlying shares of the SPAC, as well as the safeguarding of dilution risks. Some respondents favoured a relaxation of the proposed requirements while others favoured a tightening.

2.3 In light of this, after careful deliberation of the issues raised, SGX has decided to implement the proposals set out in the Consultation broadly as proposed with some amendments to reflect comments made by respondents on matters of detail and to clarify the intent of some of the Mainboard Rules.

2.4 SGX would like to thank all respondents for providing comments to the Consultation.

2.5 Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the Consultation.

II Comments Received and SGX's Responses

1 Relevance of SPACs Framework

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.

Comments Received

Question 1(a)

1.1 Almost all the respondents were of the view that the introduction of a SPACs Framework on SGX will be beneficial to companies, investors and the Singapore capital market for key reasons including:

Companies

(i) Companies have an alternative capital fund raising route, where they can gain faster access to public capital and liquidity as compared to a traditional IPO.

(ii) Greater certainty on timing and valuation of the business combination, as these are subject to negotiations between the company and the SPAC, and proceeds raised at the time of the SPAC IPO would have been placed in an escrow account. In contrast, for a traditional IPO process where bookbuilding is undertaken, the company's pricing is subject to the market and will only be determined towards the end of the listing process.

Investors

(iii) Option of a new asset class which allows investors to diversify their investment portfolio, where they can enjoy both downside protection and upside opportunities and invest alongside experienced sponsors.

(iv) Gain opportunities to invest in private companies which would otherwise have been only available in the private equity space.

Singapore Capital Market

(v) Adds on to the diversity of investment products offered by SGX and vibrancy of the local capital market. Such introduction ensures that the Singapore capital market keeps up with global trends to stay competitive.

(vi) Attracts regional companies in high growth sectors such as technology, healthcare, media and clean energy.

(vii) Attracts global capital keen on long term exposure to ASEAN/Asian economic growth.

1.2 A few respondents disagreed with the introduction of a SPACs Framework on the following bases:

(i) There are limited benefits to investors and the Singapore capital market. The traditional IPO route provides greater transparency and a more robust price discovery process. The implementation of the SPACs Framework may consequently result in a flood of private companies going public even though they may not be ready or their businesses might not be suitable for the public market. While allowing retail investors to play 'public venture capital', SPACs may not be a suitable investment product for retail investors.

(ii) The Singapore market infrastructure is not ready for listing of SPAC vehicles in particular due to the local retail investor ecosystem including, low shareholder activism and limited regulatory recourse being available. Without sufficient safeguards and recourse, the associated risks of SPACs will be detrimental to both retail investors and reputation of SGX.

1.3 Two respondents suggested to strengthen investors' education on SPACs investments to enhance the maturity and sophistication of Singapore retail investors and their ability to understand the

structure and risks of SPACs. A few respondents emphasised the importance of ensuring a balanced regime to advance market development aims while ensuring sufficient investor protection safeguards under the SPACs Framework.

Question 1(b)

1.4 The respondents were generally divided on whether SPACs should be allowed to apply for a secondary listing on the Mainboard of SGX-ST, with a slight majority disagreeing with this proposition, for reasons including:

(i) A secondary listing will introduce additional complexities to the SPACs Framework for SPAC investors and the regulators of the relevant jurisdictions, due to the differences in the specific regulations governing SPACs in these markets.

(ii) A primary listing will allow SGX to exert greater supervisory control over the SPAC and undertake more timely regulatory intervention. This will ensure that SPAC investors are afforded the protection features under the SPACs Framework.

(iii) SPACs are not intended to be permanent capital vehicles, and will only have a life cycle of two to three years until their respective business combinations are completed. Hence, there is less argument and necessity for multiple points of access to public markets and liquidity. The resulting issuer should seek a secondary listing rather than a SPAC.

(iv) The objective and focus should be to promote and develop primary listing of SPACs in Singapore. It is prudent not to introduce a secondary listing framework for SPACs in the nascent stages of SPACs development in Singapore. In addition, investors should first develop better understanding and familiarity of SPACs before considering the possibility of secondary listing of SPACs.

1.5 The respondents who agreed with permitting the secondary listing of SPACs were generally of the view that (i) the SGX will benefit the SPACs by providing them with an additional fund-raising avenue, and capture SPACs backed by quality sponsors that are listed in the U.S.; (ii) SPACs backed by regional sponsors or with a regional target acquisition mandate, will be able to access an investor base closer to their home markets and may potentially be able to benefit from branding and visibility; and (iii) investors will be provided with more investment choices and there is no overriding reason to preclude such listing route as long as the relevant listing admission requirements under the Mainboard Rules are met by the SPAC seeking the secondary listing on SGX.

SGX's Responses

Question 1(a)

1.6 We note the significant support from respondents for the introduction of a SPACs Framework on SGX. Nevertheless, we are aware and recognise the concerns raised by a few of the respondents on the risks of SPACs and the suggestions to restrict investments in SPACs to accredited and/or institutional investors.

1.7 SGX RegCo remains of the view that the SPACs will provide investors with a wider choice of investment products on the SGX. Our position is further supported by the UK Financial Conduct Authority's (the "**FCA**") policy statement issued on 27 July 2021 "*PS21/10 Investor protection measure for special purpose acquisition companies: Changes to the Listing Rules*"[1] (the "**FCA Policy Statement**") where the FCA stated its expectations that investors remain responsible for

[1] *Financial Conduct Authority, Policy Statement PS21/10 - Investor protection measures for special purpose acquisition companies: Changes to the Listing Rules (July 2021), retrieved online from: https://www.fca.org.uk/publication/policy/ps21-10.pdf.*

undertaking their own due diligence, understanding investment terms, and taking appropriate action in line with their own risk appetite and investment objectives, and given the adoption of investor protection safeguards under the SPACs Framework. We similarly hold the view that it would be disproportionate to restrict retail access to SPACs at this stage. Nevertheless, in recognition that retail investors may not be familiar with the risks and business model of SPACs, we will step up efforts to strengthen investors' education on SPACs investments to enhance the maturity and sophistication of Singapore retail investors and their ability to understand the structure and risks of SPACs. Such efforts will include working with Securities Investors Association (Singapore) ("**SIAS**") in the preparation of comprehensive investors' education programmes and information materials.

1.8 We recognise that a SPAC listing in Singapore has its own complexities and investors may currently consider it a novel structure. Investors may therefore need help in acquiring the knowledge necessary to participate in such a listing. This is particularly in terms of understanding the business combination (de-SPAC) transaction that is proposed and key milestones and actions to be taken which are not found in typical IPO listings. In exercising the voting decision on the de-SPAC transaction, investors will need to consider areas such as the potential dilutive impact under different scenarios, attractiveness of the de-SPAC target, and their available options with respect to their holdings of the SPAC shares and warrants.

1.9 SGX will work with SIAS to make publicly available independent research considering the above areas to help investors bridge any knowledge gap and make informed decisions when voting on a de-SPAC transaction.

1.10 In line with the majority view, we will proceed to introduce the SPACs Framework and concerns relating to the protection of independent shareholders' interests will be addressed through the institution of appropriate safeguards against the specific risks. We have sought a balanced regime that effectively safeguards investors' interests, while meeting the capital raising needs of the Singapore market. The details of the SPACs Framework, including the specific safeguards are set out in subsequent sections of this paper.

Question 1(b)

1.11 We have carefully considered the respondents' feedback for and against allowing secondary listings of SPACs on SGX. In line with the majority of respondents, we are of the view that there is limited value proposition to allow for the secondary listing of SPACs at this stage, as priority should be accorded to developing the primary market in the nascent stages of the implementation of the SPACs Framework. Further consideration may be given when the development of SPACs in the region has matured.

1.12 As pointed out by respondents, given the observations in the U.S. that the typical permitted time frame for a SPAC to complete the business combination is 24 months, and for at least 90% of the SPAC's gross proceeds raised at IPO to be placed in escrow, it appears to be highly unlikely that the sponsors would bear further costs and expenses to facilitate a secondary listing on SGX and expend resources to sidetrack from their primary objective, which is to complete a business combination within the permitted time frame.

1.13 As with all other secondary listing applicants, resulting issuers which have completed their business combinations and are primary-listed on overseas exchanges may apply for a secondary listing on SGX, subject to the satisfaction of the Mainboard admission requirements.

2 Admission and Related Criteria

Question 2: Definitions

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

Comments Received

2.1 Most respondents agree with the definitions of the Key Terms set out in Appendix 2 of the Consultation.

2.2 Feedback received on the definition of "business combination" are set out in Question 7 of this paper.

2.3 Feedback received on the definition of "founding shareholders" include:

(i) As the definition includes a reference to persons who "financed" the establishment of the SPAC, the term "financed" could include third party financiers such as lenders or pre-IPO investors.

(ii) "Founding shareholders" should be referred to as sponsors identified in the prospectus instead.

2.4 One respondent commented that the definition of "resulting issuer" which includes a reference to a "resultant combined entity" that trades on the SGX-ST upon the completion of a business combination, seems to suggest the resultant entity may be "combined" pursuant to a merger but not other forms of combinations.

2.5 A few respondents proposed to afford some flexibility in the definition of "special purpose acquisition company" by allowing it to be structured as a public listed trust, such as a business trust ("**BT**") or a real estate investment trust ("**REIT**"). Such definition should not be limited to companies only as allowing BT and REITs to list as SPACs would enable SGX to differentiate itself from other exchanges and leverage on Singapore's reputation as a leading hub for real estate investments.

SGX's Response

2.6 We have considered the drafting suggestions from respondents and have proceeded with the relevant amendments as set out in Appendix 2 of this paper.

2.7 We wish to clarify that "pre-IPO investors" means persons, other than the founding shareholder(s), the management team and their respective associates, who invested in the SPAC prior to the IPO. Accordingly, "founding shareholders" shall mean persons who sponsored the establishment of the SPAC, which shall include the sponsor of the SPAC, and exclude pre-IPO investors.

2.8 As elaborated in the definition of "business combination" in Appendix 2 of this paper, a business combination may be in the form of a merger, share exchange, asset acquisition, share purchase, reorganisation, or such other similar business combination methods. Our intention is not to limit the business combination method when using the word "combined" in defining "resulting issuer", but as a broad term to describe the resultant entity after the business combination. The term "combined entity" is similar to that adopted by the U.S. exchanges in their respective listing rules. Nevertheless, for the avoidance of doubt, we will remove the term "combined" and define

"resulting issuer" as the resultant entity that trades on the SGX-ST upon the completion of a business combination by a SPAC.

2.9 We note suggestions from a few of the respondents to permit SPACs to expand to include public listed trusts instead of limiting the entity formation to companies and have carefully considered the proposal. However, we have decided not to cater for such structures under the SPACs Framework specifically as such structures are novel and priority is accorded to developing the corporate SPACs vehicle as per established global market practice while in the nascent stages of the implementation of the SPACs Framework. We will further consider this aspect, whether as SPACs or otherwise, and a suitable framework may be introduced in future where feasible. Accordingly, we will not be broadening the definition of "special purpose acquisition company" to include BTs or REITs.

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 Dual Class Shares structure at the time of listing[2]. Please state the reasons for your views.

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

[2] A "dual class share structure" refers to a share structure that gives certain shareholders voting rights disproportionate to their shareholding. Shares in one class carry one vote, while shares in another class carry multiple votes.

Comments Received

Question 3(a)

2.10 A significant majority of the respondents disagreed with the proposal to impose a minimum market capitalisation requirement of S$300 million or higher at the time of listing as most of them were of the view that the minimum market capitalisation requirement is too high.

2.11 These respondents pointed out that the target company for business combination will be typically between 3 to 8 times the initial size of the SPAC. Consequently, with a minimum market capitalisation of S$300 million for the SPAC at IPO, suitable acquisition target companies will have to be at a market capitalisation size of more than S$1 billion. There are few targets with valuation above S$1 billion in Asia and the proposed requirement limits the available target pool of companies for SPACs listed in Singapore.

2.12 Other reasons cited by respondents for the disagreement include:

(i) The minimum market capitalisation requirement should be in line with the U.S. exchanges and not significantly more stringent, thereby reducing the competitiveness of Singapore as a listing venue for SPACs.

(ii) There should not be concerns with a lower minimum market capitalisation requirement as long as the initial listing requirements under the Mainboard Rules are imposed on the resulting issuer, thereby maintaining the existing admission standards for the resulting issuer upon completion of the business combination.

(iii) Lowering the minimum market capitalisation requirement does not necessarily indicate a decrease in quality of sponsors, but rather acts as a determining function of the intended target company size and sector.

(iv) A high minimum market capitalisation requirement increases the execution risk for sponsors as it will be difficult for sponsors to find a suitable target company in the region that meets the desired valuation range.

2.13 The respondents who agreed with the proposal to require the SPAC to have a minimum market capitalisation requirement of S$300 million at IPO were of the view that such requirement (i) will ensure that better quality target companies are listed via a business combination; and (ii) is in line with the existing market capitalisation criteria under Mainboard Rule 210(2)(c). A few of the respondents suggested a further increment of threshold to S$500 million to ensure higher quality sponsors listing SPACs on SGX.

2.14 Many of the respondents who disagreed provided alternative minimum market capitalisation thresholds ranging from S$50 million to S$200 million, with the S$150 million being the most common suggestion as (i) it is in line with the minimum market capitalisation criteria under the existing Mainboard Rule 210(2)(b); and (ii) provides a good balance between (a) ensuring the quality of sponsors; (b) ensuring the target companies for business combination remain sizeable; and (c) managing the business combination execution risk for the SPAC. In addition, such admission size requirement will not be significantly higher as compared to the U.S. exchanges.[3]

[3] Rules 5405(b)(3)(A) of NASDAQ Stock Market states that a listing on the NASDAQ Global Market requires a minimum market capitalisation of US$75 million.
5505(b)(2)(A) of NASDAQ Stock Market states that a listing on the NASDAQ Capital Market requires a minimum market capitalisation of US$50 million.

2.15 Two respondents suggested that larger-sized SPACs may be listed on the Mainboard, while the smaller-sized SPACs may be listed on the Catalist.

Question 3(b)

2.16 A majority of the respondents agreed with the requirement for a SPAC to have at least 25% of their total number of issued shares held by public shareholders at the time of listing to prevent concentration risks, but disagreed with such shares being held by at least 500 public shareholders at the time of listing. These respondents cited the following key reasons:

(i) SPAC is a novel listing product and of a different profile as compared to traditional IPO issuers. The IPO investor base composition for SPACs typically consists of mainly institutional and sophisticated investors, with less retail participation, hence it may be challenging to fulfil this requirement of 500 public shareholders.

(ii) The number of public shareholders required is too high and may lead to an unintended consequence of a broader distribution of SPACs to retail participants who might not fully comprehend the complexities and risks involved for investing in SPACs.

(iii) The number of public shareholders requirement is lower in the U.S.[4]. Given the lower relative depth of Singapore's capital markets, the 500 public shareholders requirement may be too high and impractical to meet. Such high requirement reduces the competitiveness of Singapore as a listing venue for SPACs.

(iv) If the minimum market capitalisation size is reduced, the number of public shareholders requirement will be even more difficult to meet.

2.17 A minority of the respondents supported the proposal mainly due to the requirements being generally in line with the current Mainboard Rule 210(1)(a). Some of these respondents commented that it would be meaningful to have more public interests in the SPAC, and that the requirements ensure liquidity and orderly trading.

2.18 Some respondents who were against the 25% threshold suggested a lower threshold between 5% and 20%, with two respondents suggesting the abolishment of such requirement entirely. With respect to the requirement of 500 public shareholders, respondents who disagreed suggested alternative thresholds which ranged from 100 to 350 public shareholders. Others suggested a tiered approach similar to that of the existing Mainboard Rule 210(1)(a) where the requirements vary by tier depending on the market capitalisation size of the SPAC.

Question 3(c)

2.19 The respondents were fairly divided on the requirement for the minimum issue price to be at S$10 per share or unit for securities offered for the SPAC IPO, with a slight majority of them in agreement. The supportive respondents were of the view that the price is consistent with the market practice

Section 102.06 of NYSE Listed Company Manual states that a listing on NYSE requires a minimum market capitalisation of US$100 million.

Section 101(c) of NYSE American Company Guide states that a listing on NYSE American requires a minimum market capitalisation of US$50 million.

[4] Rules 5405(a)(3) of NASDAQ Stock Market states that a listing on the NASDAQ Global Market requires a minimum of 400 round lot holders.

Rule 5505(a)(1)(A) of NASDAQ Stock Market states that a listing on the NASDAQ Capital market requires a minimum of 300 round lot holders.

Section 102(b) of NYSE American Company Guide states that a listing on NYSE American requires a minimum of 400 public shareholders.

in the U.S. for a SPAC's offer price. Such requirement would signal a difference investing in SPACs *vis-a-vis* traditional IPO issuers, causing retail investors to carefully consider the characteristics and risks and be mindful of their investments.

2.20 A significant minority of the respondents took the view that the minimum issue price of S$10 is too high and unrealistic in Singapore's context, and will contribute to low liquidity of a SPAC's shares / units. A number of these respondents highlighted that few SGX-listed issuers trade above S$10 on SGX-ST compared to companies listed in the U.S. and therefore it is not suitable to peg the minimum issue price to the typical offering price for SPACs in the U.S. Implementing such a high issue price may instead deter sponsors from considering a SPAC listing in Singapore.

2.21 Some of the respondents suggested alternative figures for the minimum issue price per share / unit, ranging from S$1 to S$6 with S$5 being the most common suggestion. They noted that S$5 is generally in line with the minimum issue price requirement in the U.S.[5] and a middle ground that is not significantly high, but realistically differentiated from traditional IPO issuers' offering / trading prices for Singapore's context.

2.22 A few respondents who disagreed suggested the removal of such requirement and to allow the market to develop a price floor organically. One respondent suggested that the SPAC investment ought to be limited to accredited investors considering the nature of SPACs as highly risky investments, while another was of the view that SGX should focus on educating retail investors on investing in SPACs.

Question 3(d)

2.23 A majority of the respondents disagreed with the proposal to require SPACs to be incorporated in Singapore. Most of the dissenting respondents highlighted that flexibility should be afforded to the SPAC as there are commercial considerations on the place of incorporation, such as tax efficiency. Other reasons cited by these respondents include:

(i) SPAC should have the flexibility to be incorporated in other jurisdictions for better alignment with the sponsor's jurisdictional familiarity and business strategies in searching for targets in specific regions.

(ii) There should not be a difference in the regulatory approach taken for traditional IPOs *vis-à-vis* SPACs, where foreign jurisdictions of incorporation are permitted for the former.

(iii) There may be unforeseen legal and/or transactional issues that may arise. For instance, certain capital maintenance provisions under the Companies Act (Chapter 50) of Singapore (the "**CA**") may not be able to facilitate a key feature of the SPAC as they limit the extent of exercise of Redemption Right[6] by independent shareholders[7].

[5] Rules 5405(a)(1) of NASDAQ Stock Market states that a listing on the NASDAQ Global Market requires a minimum bid price of at least US$4 per share.
Rules 5505(a)(3) of NASDAQ Stock Market states that a listing on the NASDAQ Capital market requires a minimum bid price of at least US$4 per share.
Section 102(a) of NYSE American Company Guide states that a listing on NYSE American requires a minimum market price of US$2 – US$3 per share.

[6] "Redemption Right" refers to a shareholder's right to elect to redeem its ordinary shares and receive a pro rata portion of the amount in the escrow account in cash, if the business combination is approved and completed within the permitted time frame.

[7] A key feature of a SPAC is the exercise of redemption right by shareholders, and this will not be possible based on the CA as the current capital maintenance provisions limited the exercise of redemption right to 20% and below and there are no applicable exceptions or room for regulatory flexibility in this aspect.

(iv) Such requirement is overly prescriptive and not consistent with the requirements in the U.S. where foreign jurisdictions are accepted as the SPAC's place of incorporation, thereby reducing Singapore's competitiveness as a potential SPAC listing venue.

2.24 A number of respondents who disagreed suggested that the regulatory approach towards traditional IPO issuers seeking a listing on SGX should be similarly applied – jurisdictions of incorporations such as Cayman Islands, British Virgin Islands and Bermuda may be accepted, with the requirement to conduct the necessary jurisdictional analysis on shareholder protection laws *vis-à-vis* those under the CA. Another suggestion raised was to require the SPAC to explain and disclose the effect of key applicable foreign laws (particularly those on shareholder protection) where they differ materially from Singapore's requirements, and comply with the necessary prospectus disclosure requirements under the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 ("**SFR**").

2.25 One suggestion made by a respondent who disagreed was to require overseas-incorporated SPACs to either (i) include in its constitution to be subjected to the Insolvency, Restructuring and Dissolution Act 2018 of Singapore ("**IRDA**"); or (ii) demonstrate that the liquidation proceeding laws in the relevant foreign jurisdiction is comparable to the IRDA regime.

2.26 The minority respondents who agreed with the requirement that SPACs be incorporated in Singapore were of the view that such requirement provides investors with sufficient protection and confidence in view of their familiarity and the accessibility to legal recourse under Singapore's laws and regulations, including the presence of a robust legal and judicial system, and high governance standards.

Question 3(e)

2.27 The respondents were divided on whether SPACs should be allowed to adopt a dual class share ("**DCS**") structure at its IPO, with a slight majority agreeing that they should be allowed to do so.

2.28 The respondents who were supportive, were in favour of SPACs being provided with the flexibility to adopt a DCS structure at IPO for consistency with the current listing practices in Singapore, subject to a case-by-case assessment on the SPAC's compliance with the relevant DCS requirements under the Mainboard Rules.

2.29 A number of these supportive respondents highlighted that SPACs should be allowed to issue different classes of shares to confer different rights to (i) facilitate the sponsor's daily business operations of the SPAC; and (ii) deny the sponsor certain rights enjoyed by the other shareholders. Some examples of the different rights typically found in the sponsor's shares as highlighted by these respondents are as follows:

(i) With respect to the sponsor's promote, economic rights should only be vested after completion of the business combination.

(ii) Exclusive board appointment voting rights until completion of the business combination.

(iii) Transfer restrictions under the moratorium requirements.

(iv) Lower priority in entitlement to liquidation rights and non-entitlement to Redemption Rights.

(v) Removal of redemption rights in the event of failure to obtain shareholder approval for the business combination.

These respondents highlighted that the typical practice in the U.S. is for the SPAC to adopt different classes of shares between the sponsor and the other shareholders, without differentiation in voting rights (i.e. sponsor and shareholders vote on an equal basis). The differential treatment between the sponsor and the other shareholders can be achieved by separating the shares into different classes. They emphasised that the differentiation in classes of shares should not contemplate a differentiation in voting rights as there is no merit nor compelling reason in allowing SPACs to adopt such a share structure prior to a business combination.

2.30 One respondent was of the view that there are sufficient safeguards inherent within the SPACs Framework to mitigate the governance risks arising from the multiple voting rights that the sponsor may acquire via the adoption of a DCS structure by the SPAC, such as the majority of IPO proceeds being held in escrow and independent shareholders' entitlement to exercise their Redemption Right at the business combination vote.

2.31 Respondents who disagreed with allowing SPACs to adopt a DCS structure at IPO were of the view that permitting SPACs to do so may put the minority shareholders at risk as sponsors are allowed more control over the SPAC and have significant voting influence on key decisions of the SPAC. Additionally, the SPAC does not have an operating business and hence, there does not appear to be value in adopting a DCS structure. Adopting a DCS structure will introduce another layer of complexity into the SPAC from the minority investors' perspective.

2.32 A number of the respondents were of the view that the resulting issuer should be allowed to adopt a DCS structure upon the completion of the business combination, as opposed to the SPAC at IPO. The founders/owners of the target company may be involved in industry sectors (e.g. new economy, technology etc.) where it is preferred that a DCS structure be adopted in order to retain control of the business. In such cases, the DCS requirements under the Mainboard Rules should apply to the resulting issuer on a case-by-case basis.

SGX's Response

Question 3(a)

2.33 A significant majority of the respondents disagreed with the proposal. Consistent with our research, we recognise market feedback that a business combination is typically at least 3 to 8 times the initial SPAC size[8]. We are persuaded that a minimum market capitalisation of S$150 million will be sufficient to facilitate the consummation of a quality and sizable business combination as (i) the business combination is required to constitute at least 80% of the fair market value of the SPAC's escrowed funds; and (ii) we are imposing a requirement for the resulting issuer to meet the Mainboard initial listing requirements upon business combination. The latter requirement ensures that the resulting issuer must meet the same listing admission standards applicable to issuers listing via a traditional IPO, and the S$150 million minimum market capitalisation threshold is consistent with the market capitalisation requirement under Mainboard Rule 210(2)(b). We will therefore make amendments to reduce the minimum market capitalisation to S$150 million for a SPAC at IPO.

[8] *SIA Partners, SPACS: Which Factors Lead to Merger Success? (19 March 2021), retrieved online from: https://www.sia-partners.com/en/news-and-publications/from-our-experts/spacs-which-factors-lead-merger-success*; and *Kramer Levin, A SPAC Primer (1 March 2021), retrieved online from: https://www.kramerlevin.com/en/perspectives-search/a-spac-primer.html*.

2.34 We note the alternative threshold suggestions by respondents on the minimum market capitalisation, and are of the view that a minimum market capitalisation lower than S$150 million is not suitable as it would increase the likelihood of the resulting issuer not being able to meet the initial listing requirements at the point of the business combination.

2.35 As articulated in the Consultation and further elaborated in paragraphs 1.11 to 1.13, SPACs are only permitted to list on the Mainboard. SPAC is a unique investment vehicle as its success primarily depends on the sponsor's ability to identify a quality business combination whereas Catalist caters to fast-growing companies seeking to raise public capital for business expansion under a Catalist sponsor supervised based regime. Accordingly, there is no intention to allow SPACs to be listed on Catalist.

Question 3(b)

2.36 We recognise respondents' feedback, in particular, that (i) the nature and risks associated with a SPAC differs from traditional IPO issuers; and (ii) the SPAC's investor base at IPO mainly consists of institutional and sophisticated investors, including hedge fund investors.

2.37 Notwithstanding that the purpose of the 500 public shareholders requirement was to ensure sufficient public holders spread for orderly trading and to mitigate concentration risks, we have carefully considered the feedback on observations in the U.S. that the SPAC's IPO investor base is not similar to a traditional IPO issuer and likely to be fewer in number, comprising more institutional and sophisticated investors. Furthermore, given that a SPAC does not have an operating business from the time of its IPO until it consummates a business combination, there would likely be limited trading activity of the SPAC's securities until it announces a business combination[9]. Having considered the majority respondents' suggestions, we will make amendments to require a SPAC to have at least 25% of their total number of issued shares to be held by not less than 300 public shareholders at IPO.

2.38 For avoidance of doubt, the resulting issuer will be required to meet the existing Mainboard initial listing requirements (as set out in paragraph 4.34) upon completion of the business combination, which among others require at least 500 public shareholders. We are mindful of the nascent stage of SPACs in Singapore and other exchanges in the U.S. or Bursa Malaysia ("**Bursa**") do not appear to require an increase in shareholding spread at the point of de-SPAC. As such, it is difficult to predict how the SPAC will trade after the announcement of the business combination in the local context. We will therefore closely observe the local developments and be prepared to grant case-by-case waivers of the 500 public shareholders requirement where the resulting issuer can demonstrate sufficient bases and genuine hardship in complying with such requirement at the point of business combination.

2.39 We wish to clarify that the distribution spread requirement under Mainboard Rule 210(1)(a) will not apply for the listing of the SPAC as the profile of a SPAC is not similar to a traditional IPO issuer which has a different investor base. Based on engagement with market professionals, the minimum allocation under the public tranche subscription as per Mainboard Rule 233A may be difficult to achieve as it would require a higher retail participation as compared to the typical institutional investor base observed in the U.S. Accordingly, where the resulting issuer can demonstrate sufficient bases and genuine hardship in complying with the requirement under Mainboard Rule 233A, a waiver may be applied for and considered on a case-by-case basis.

[9] *Toronto Stock Exchange, Requests for Comments – Amendments to Toronto Stock Exchange Company Manual, retrieved online from: http://www.westlawecarswell.com/oscb/on4122/on4122-29.htm.*

Question 3(c)

2.40 We acknowledge respondents' concerns about pegging the minimum issue price to a floor derived from a foreign market, and agree with the views that S$10 might not be suitable in the local context.

2.41 We have carefully considered the suggestions from respondents and have decided to make amendments to require a minimum IPO issue price of S$5 per share or unit which is similar to the minimum issue price required by U.S. exchanges. The revised minimum issue price will be sufficiently high to signal to retail investors to carefully consider the associated risks of investing in a SPAC, and afford the sponsors with more commercial flexibility in pricing the SPAC's shares. SGX RegCo will be embarking on investor education efforts to help retail investors develop better understanding of SPACs, including collaborating with SIAS on investors' education programmes and information materials.

2.42 With respect to the suggestion of limiting SPAC investments to accredited investors, we disagree with such an exclusion as the introduction of SPACs broadens investor choice by providing retail investors with an opportunity to participate in investments that are typically only open to institutional investors in the private equity space. In order to better equip retail investors with fundamental knowledge of SPACs investment thereby enabling them to make better informed investment decisions, we will be implementing investors' education programmes as mentioned above, and will concurrently, adopt additional safeguards under the SPACs Framework (including the minimum equity participation requirement under paragraph 2.136 and moratorium requirement under paragraphs 2.148, 2.150 and 2.152). In addition, a securities indicator symbol will be displayed for the SPAC's counter to ensure retail investors are aware of the SPAC investment product.

Question 3(d)

2.43 As part of the Consultation process, SGX RegCo had raised with the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") certain capital maintenance provisions of the CA that limit the extent of share buyback a Singapore-incorporated company may conduct pursuant to the independent shareholders' redemption exercise at the point of business combination vote[10]. In view of the requirements under the CA, and in line with majority of the respondents' views and the approach taken by other exchanges in the U.S. and Toronto[11], we will delete the requirement for the SPAC to be incorporated in Singapore. This is consistent with the existing regulatory approach for non-SPAC issuers listing on SGX. In addition, we will clarify as part of the guidance on suitability assessment factors of a SPAC in the Practice Note that we will consider the provisions in the SPAC's articles of association and/or other constituent documents, including the comparability of shareholder protection and liquidation rights with that of Singapore-incorporated companies, and whether the SPAC will be subject to the IRDA for liquidation procedures or have incorporated such equivalent provisions of the IRDA.

Question 3(e)

2.44 We wish to clarify that the DCS structure referred to under the proposal is that contemplated under the Mainboard Rules and SGX's DCS framework, which refer to different classes of shares which differ in the level of voting rights, with one class having multiple voting rights.

[10] Section 76B(3) of the CA limits the total number of ordinary shares and stocks in any class that may be purchased or acquired by a company during the relevant period (generally defined as within a financial year) and such limit *shall not exceed 20%*, unless certain conditions are satisfied.

[11] The U.S. exchanges do not limit the jurisdiction of incorporation of a SPAC while Section 1007 of Part X of the Toronto Stock Exchange ("**TSX**") Company Manual permits a SPAC to be incorporated outside of Canada.

2.45 We note that a number of respondents referred to the term "DCS structure" as different classes of shares with differential rights, but not in relation to voting rights. As highlighted by these respondents, we understand that there is a market practice in the U.S. where SPACs issue different classes of shares to sponsor and public investors due to the difference in their respective entitlements, such as in terms of their redemption and liquidation rights. In addition, some of these SPACs may provide that only the sponsor shares may vote on the proposed director appointments to the SPAC's board until completion of the business combination transaction. For avoidance of doubt, our intention under the proposal permits SPACs to issue different classes of shares with differential rights except for voting rights including with respect to director appointments on the SPACs' boards. The process for the appointment of directors should be no different from that of other SGX-listed issuers.

2.46 Some of the respondents held the view that SPACs should be afforded the same flexibility as other traditional IPO issuers to adopt a DCS structure at IPO on a case-by-case basis. However, we agree with the opposing views that there does not appear to be reasonable justification for a SPAC (which has no operational history nor commercial operations up till business combination) to adopt a DCS structure at IPO. We remain of the position that a SPAC will not be permitted to implement a DCS structure at the time of its IPO.

2.47 As mentioned in the Consultation, where the resulting issuer adopts a DCS structure, the SGX DCS framework shall apply at the business combination stage which includes the requirements under Mainboard Rule 210(10).

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.

Comments Received

2.48 A majority of the respondents agree with the suitability assessment factors set out in Appendix 2 of the Consultation. These respondents took the view that the list of factors set out were fair and reasonable factors to be taken into consideration to ensure the quality of sponsors and protect shareholders' interests. Furthermore, they recognised that sponsors of SPACs could potentially be from varied backgrounds, and accordingly, it was acknowledged that there will be practical difficulty in prescribing a set of quantitative and objective criteria.

2.49 Some respondents disagreed with the suitability assessment factors, for reasons including that:

(i) The suitability assessment factors are broad and therefore may create a high level of uncertainty for potential sponsors and deter them from establishing a SPAC for listing on SGX.

(ii) Some of the suitability assessment factors deviate from those set out by the other exchanges such as the New York Stock Exchange ("**NYSE**") and some factors are unnecessarily prohibitive.

(iii) The list of factors are overly prescriptive and subjective. Considering how some of the factors are commercially negotiated matters (e.g. paragraphs 2.1(f) [12] and (h) [13] of Practice Note 6.4), a disclosure-based approach should be adopted instead for investors' assessment.

2.50 One of the respondents who disagreed commented that there were additional suitability assessment factors for sponsors that are set out for issue managers (specified in paragraph 2.1 of Proposed Practice Note 6.4 under the Consultation) and suggested that, rather than having two separate sets of suitability assessment factors for each of SGX and issue managers, a common set of baseline suitability assessment factors should apply instead. In addition to the two abovementioned paragraphs 2.1(f) and (h), the respondent was of the view that paragraphs 2.1(c)[14], (d)[15] and (e)[16] are commercial matters that are difficult to quantify and driven by prevailing market practice.

2.51 A few respondents suggested other criteria such as (i) the inclusion of a quantitative threshold for the track record and experience of sponsors, such as a five-year track record or track record of at least S$1 billion in assets under management with the sponsor having prior experience in fund management, asset management or executing sizable mergers and acquisitions; (ii) place of incorporation of the SPAC; and (iii) percentage of shares held by independent shareholders post-listing.

2.52 One respondent suggested for the inclusion of examples for each of the suitability assessment factors for further clarity.

SGX's Response

2.53 We note the majority respondents' support for the suitability assessment factors.

2.54 The intention of the requirement is to set out general factors SGX may holistically take into consideration in its suitability assessment, and accordingly should also be considered by the issue managers in their sponsoring of the listing application by the SPAC. We agree with the feedback to set out one common set of factors for both SGX and the issue managers, and will make amendments to reflect the foregoing.

2.55 We note certain respondents' feedback for further elaboration or inclusion of objective / quantitative thresholds for better clarity and certainty to the market. We wish to clarify that these factors are set out as relevant areas of focus for both SGX's assessment and the issue managers' conduct of their work, and they are not meant to be exhaustive nor be fulfilled as specific qualification criteria. Based on our observations, some of the factors listed are consistent with those set out by NYSE and S.C. Malaysia, while additional factors that SGX wish to highlight as an area of focus for SPACs, have been set out for guidance as well in the Practice Note 6.4. Accordingly, we do not think it is necessary to include further prescriptive quantitative or objective criteria, as a holistic assessment will be made based on the backgrounds of sponsors and circumstances of each SPAC. We may issue further public guidance where necessary and encourage issue managers to

[12] Paragraph 2.1(f) of Practice Note 6.4 states that 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.

[13] Paragraph 2.1(h) of Practice Note 6.4 states that the dilutive features and events which impact shareholders and whether there are any mitigants for such dilution.

[14] Paragraph 2.1(c) of Practice Note 6.4 states that 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.

[15] Paragraph 2.1(d) of Practice Note 6.4 states that 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.

[16] Paragraph 2.1(e) of Practice Note 6.4 states that 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.

consult SGX early on potential sponsors.

2.56 After careful consideration, we agree with the feedback that the suitability assessment factor relating to the quantum of discount to the IPO issue price at which the SPAC's securities are issued to the founding shareholders and management team is commercially negotiated and given the compensatory nature of the sponsor promote, it may not be practical nor meaningful to assess as a key aspect for suitability assessment of the SPAC. Accordingly, we will proceed to amend to remove paragraph 2.1(f) of Appendix 2 of the Consultation from the suitability assessment factors. We have deliberated and believe that other factors set out in paragraph 2.1 of Practice Note 6.4 are key factors that should be retained as they should be considered holistically in safeguarding independent shareholders' interests.

2.57 Pursuant to a suggestion for sponsor to have prior experience in fund management or asset management, we will proceed with amendments to elaborate on the guidance that the management team of the SPAC is expected to possess appropriate experience and track record could include fund management or asset management.

2.58 In relation to the suggestion to include the place of incorporation of the SPAC as an additional suitability assessment factor, we do not think it is necessary to specifically include this factor given that it is similarly taken into consideration in our assessment for traditional IPO issuers listing applications. Nonetheless as mentioned in paragraph 2.43, we will make amendments to the suitability assessment factor guidance to include the consideration of provisions in the SPAC's articles of association and other constituent documents (including comparability of shareholder protection and the liquidation rights with that of Singapore-incorporated companies, and whether the SPAC will be subject to the IRDA for liquidation procedures or the incorporation of such equivalent provisions of the IRDA). We are of the view that establishing a percentage of shares held by independent shareholders post-listing is not a key factor for assessment as (i) the factors set out in paragraph 2.1 of Practice Note 6.4 includes the extent of the founding shareholders' and the management team's securities participation in the SPAC; and (ii) the founding shareholder and the management team are required to comply with the minimum securities participation requirement set out in paragraph 2.136.

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.

Comments Received

Questions 5(a) and 5(b)

2.59 Most of the respondents agreed with a maximum time frame of 36 months for the SPAC to complete its business combination transaction, as opposed to a maximum time frame of 24 months. Reasons cited by these respondents include:

(i) The maximum time frame of 36 months is consistent with the requirements of the other exchanges in the U.S., Toronto and Malaysia, and it is a reasonable duration for the SPAC to take the necessary steps in completing the business combination, including the conduct of due diligence, the process for preparation of the shareholders' circular and calling for the general meeting to vote on the business combination, and obtaining regulatory approvals (where applicable).

(ii) Notwithstanding the typical market practice in the U.S. to complete the business combination within 24 months, the requirement on the maximum time frame should not be overly restrictive since commercial factors and market pressure will play a role in ensuring that the SPAC completes its business combination in a timely manner.

(iii) As there are not many suitable target companies in Asia, the pursuit for a business combination will consequently take longer. Where target companies are predominantly expected to be of Asian ownership or operationally-based in Asia, cultural factors will have to be taken into account, which may potentially require longer lead time for deal completion.

(iv) Forcing a business combination to complete within a shorter time frame of 24 months may lead to a consummation of business combination with a lower quality target company or on less favourable terms (e.g. such as the risk of overpaying for the target company) due to the time pressure.

(v) The maximum time frame of 36 months provides flexibility including the option of searching for another target company in the event the initial proposed business combination fails to complete. Market forces may naturally result in SPACs converging around a 24 months timeline even if the regulatory requirement permits a longer period.

2.60 The respondents who were supportive of a requirement for a maximum 24 months time frame primarily held the view that (i) a shorter time frame will instil a greater sense of discipline and urgency in the SPAC's search for a business combination target; (ii) it is in the interests of shareholders to require a business combination to be completed earlier than later, as shareholders' investments are not tied up in the escrow account longer than necessary; and (iii) the time frame

of 24 months is consistent with the typical market practice in the U.S. as a longer time frame for completing a business combination may result in a higher risk of redemption by the shareholders.

2.61 A number of respondents alternatively suggested a maximum 24 months time frame, with the option to extend for another 12 months, to provide for some flexibility to a SPAC in completing the business combination transaction. The option for time extension could be in the event that a binding agreement has been entered into within the 24 months time frame, or under exceptional circumstances with the respective approvals of SGX and independent shareholders. One respondent suggested a middle ground of 30 months time frame.

2.62 One respondent commented that in the event Mainboard Rule 1204[17] is applicable to the shareholders' circular for the business combination, a maximum time frame of 36 months would be appropriate to cater time taken for the regulatory review process.

Questions 5(c)

2.63 Most of the respondents were in support of our proposal to include the option of extending the time required for business combination under exceptional circumstances, as they were of the view that the business combination transaction possesses uncertainty risks and it is not uncommon for the transaction to be delayed or fall through for reasons not within the sponsor's control. Additionally, the risk of the SPAC making sub-optimal decision due to time pressure at the expense of the independent shareholders will be mitigated by affording the SPAC with the flexibility of a time extension. Some of these respondents were of the view that any time extension should be subjected to the maximum time frame of 36 months.

2.64 One respondent who disagreed that a SPAC may seek an extension of time to complete a business combination under exceptional circumstances was of the view that the 36 months time frame is more than sufficient for the SPAC to complete a business combination transaction.

2.65 Some respondents provided suggestions including:

(i) Limit the option to extend to a one-time extension with SGX and independent shareholders' approvals being obtained.

(ii) Exceptional circumstances should include (a) having entered into a binding agreement for the business combination but the SPAC requires more time to satisfy the relevant conditions precedents; (b) delay in process of obtaining necessary regulatory approvals for the business combination where applicable; (c) occurrence of act of god events such as natural disasters, pandemic etc.; and (d) such other reasonable circumstance that is beyond the sponsor's control.

(iii) It is not practical to predict an exhaustive list of exceptional circumstances upfront that may possibly arise in the future, hence discretion should be afforded to SGX to determine what may qualify as an exceptional circumstance in granting a time extension.

(iv) Suggested range of between 6 months to 12 months time extension be granted subject to the respective approvals from independent shareholders and/or SGX.

[17] Mainboard Rule 1204 states that no circular or notice of meeting to be submitted to the Exchange for its review may be circulated or made available publicly until the Exchange advises that it has no objection to the issuance of the circular or notice of meeting. The Exchange will normally complete the review within 4 weeks from the date of submission. However, the time taken may be longer depending on the circumstances.

(v) Only independent shareholders' approval is required as the need for SGX approval results in uncertainty for the SPAC and such decision can be made by independent shareholders.

(vi) Only SGX's approval is required for the time extension to avoid incurring unnecessary costs and independent shareholders might not be able to fully appreciate the circumstances nor be privy to the necessary information to make an informed decision.

2.66 Two respondents sought clarification as to what may be considered an exceptional circumstance by SGX for the purposes of an extension of time.

Questions 5(d) and 5(e)

2.67 A majority of the respondents agreed with allowing the SPAC to seek the respective approvals from independent shareholders and SGX for an extension of time under circumstances specified in its constitution. The respondents generally felt that it was reasonable to allow for specified circumstances to be set out in which independent shareholders and SGX's approval will be sought for time extension as shareholders' interests are safeguarded with the two-tier approval mechanism and this encourages the SPAC to be accountable to its shareholders.

2.68 Some respondents disagreed with the proposal for reasons including:

(i) Permitting SPACs to specify circumstances of time extension in the constitution would open up for potential abuse and there is practical difficulty as it is not foreseeable as to the specific circumstances to be prescribed at the time of the SPAC's IPO.

(ii) It is unnecessary to specify circumstances of time extension in the constitution in view that the SPAC is allowed to seek independent shareholders' and SGX's approvals for a time extension. The SPAC should instead justify the need for a time extension via disclosures in the shareholders' circular and the time extension application to SGX. Such approach caters for flexibility for the SPAC to respond to market conditions while preserving shareholder protection through the approval process.

2.69 In relation to the proposal for the approval required from the independent shareholders for a time extension to be passed by way of a special resolution, a majority of the respondents were supportive and their reasons include:

(i) An extension of time is generally not ideal for independent shareholders as it represents a longer lock-up duration of the shareholders' investments and a higher threshold of approval via special resolution is required to safeguard interests of independent shareholders.

(ii) Time extensions are not envisaged at the onset and are not in the ordinary course of business for the SPAC. Hence it is reasonable to require a special resolution approval threshold.

(iii) If the sponsor is able to vote on the resolution, there will be a greater need to set a higher approval threshold in order to safeguard investors.

2.70 The respondents who disagreed with the proposal were of the view that approval for a time extension via an ordinary resolution passed by the independent shareholders would suffice as (i) the sponsor and related persons are not permitted to vote on the resolution, and it will be impractical and onerous to require independent shareholders to pass a special resolution; and (ii) independent shareholders' interests are sufficiently protected as there are exit alternatives for independent shareholders including to exercise their Redemption Right or selling their shares in the secondary market. A respondent cautioned against onerous approval mechanism which may create disincentives in the SPAC structure, as the sponsor would have expended time and effort on

the SPAC (including its own at-risk capital) if a business combination is not successfully completed. Where onerous approval mechanism is imposed, SPACs seeking to continue trading may therefore be in a position to give inducements to the public investors for support of the time extension.

2.71 A few of the respondents who disagreed further held the view that the sponsor should be permitted to vote for the time extension, while one respondent suggested that independent directors of the SPAC provide their recommendation in respect of the time extension in the shareholders' circular for shareholders' assessment. Another respondent suggested that where a binding agreement has been signed for the business combination, an automatic 12-month time extension be afforded, and a special resolution to be passed by independent shareholders should only be required where a binding agreement for the business combination has not been executed. A few other respondents took the view that a shareholders' approval by way of a special resolution is sufficient and regulatory approval from SGX will not be required for the time extension.

2.72 Two respondent who agreed with the proposal respectively suggested an additional safeguard for shareholders' interests: (i) to require a majority in number of independent shareholders in attendance at the general meeting to approve the special resolution; and (ii) the special resolution required to be passed by the independent shareholders should not have more than 10% of independent shareholders voting against the resolution.

Question 5(f)

2.73 A majority of the respondents were in support of the proposal to require the SPAC to provide quarterly SGXNet announcement to update shareholders of its cash utilisation and its progress in securing a business combination, as this will ensure good corporate governance and accountability of the SPAC. In addition, these updates facilitate communication and transparency between the SPAC and its shareholders, keep shareholders apprised of the SPAC's status and provide shareholders the opportunity to raise enquiries.

2.74 Some respondents have highlighted that though they were in support of the quarterly updates on the SPAC's cash utilisation, they disagree with the requirement to provide an update on the SPAC's progress in securing a business combination. The updates on the SPAC's progress in securing a business combination are often forward-looking statements and may unduly drum up investors' interest and result in speculative activity, leading to a disorderly market for the trading of the SPAC's securities. Such information might be commercially sensitive and might potentially adversely affect the SPAC's negotiating power vis-à-vis potential target companies. Status developments are likely to be confidential and it is unlikely that any substantive updates via a prescriptive quarterly update can be publicly provided. Some of these respondents suggested that existing continuing disclosure obligations under Mainboard Rule 703 and the corresponding corporate disclosure policy guidelines [18] similarly apply to the SPAC's status for a business combination. Announcement on business combination status should be made when a business combination transaction is definitive which is in line with existing market practice for a listed issuer's acquisition material disclosure obligations.

2.75 A few respondents suggested a monthly update while making reference to Mainboard Rule 1018, under which cash companies have to provide a monthly valuation of its assets and utilisation of cash, and quarterly updates of milestones in obtaining a new business to the market. On the other hand, some respondents suggested for a semi-annual update instead to reduce the administrative burden on the SPAC, which is ultimately a company with no business operations.

[18] Mainboard Rules, Appendix 7.1 Corporate Disclosure Policy.

SGX's Response

Questions 5(a) – 5(c)

2.76 We have carefully considered the feedback from respondents. While a majority of the respondents agree with a maximum time frame of 36 months for a SPAC to complete is business combination, we have balanced the considerations of allowing SPACs the flexibility of the entire 36 months to complete a business combination vis-à-vis the typical market practice observed in active SPACs market such as the U.S. for the business combination to be completed within 24 months from listing, and the importance of encouraging SPACs to not hold onto shareholders' investments in escrow for a prolonged period of time. Accordingly, we agree with respondents' suggestion to enhance the regulatory requirement by implementing a limit of 24 months for the SPAC to complete the business combination with an option for time extension of up to 12 months in the event that a binding agreement for the business combination has been entered into. Such enhanced requirement strikes a balance by instilling a level of urgency for the SPAC to expeditiously identify suitable targets for consummation of the business combination within 24 months.

2.77 We are cognisant that the quality of target companies and the SPAC's negotiating power on the business combination terms (including the valuation of the target company) may be compromised in the face of time pressure. Hence, we are inclined to avail the SPAC more time and flexibility in its pursuit of the business combination under specific circumstances. Where a binding agreement has been entered into for the business combination and the SPAC requires more time to complete the business combination beyond 24 months, an automatic extension of time of up to 12 months is accorded, to enable the SPAC to focus on due diligence and completion of the business combination without being subject to the uncertainty of having to obtain shareholders' approval for the time extension. For clarity, in order to qualify for the automatic time extension, the binding agreement for the business combination has to be signed and not in the process of getting signed by the end of the 24th month.

2.78 Where the SPAC has not entered into a binding agreement for the business combination by the end of the 24th month and wishes to have more time to identify a suitable business combination, the SPAC must seek the respective approvals from SGX and shareholders, and demonstrate compelling reasons for a time extension for up to a maximum of 12 months. In view that there are other unforeseeable circumstances which may occur, we find it necessary to provide flexibility to cater for such scenarios and discretion for SGX to review an extension of time application on a case-by-case basis. We have introduced a threshold for compelling reasons to be demonstrated by the SPAC to ensure the grant of time extension is in the interests of the public to do so. As compelling reasons are unforeseeable circumstances and subjective in nature, it will not be practical to provide examples of such circumstances.

2.79 As the abovementioned extensions of time are for up to a maximum period of 12 months, the maximum aggregate time frame remains at 36 months and our overall position remains aligned with the other exchanges' regulatory maximum time frame requirement for a SPAC to complete a business combination. We will proceed to make the relevant amendments.

2.80 In respect of a respondent's clarification on the application of Mainboard Rule 1204, we wish to clarify that the rule will similarly apply to the shareholders' circular relating to the business combination and time taken may be longer, depending on the circumstances of each submission.

Questions 5(d) and 5(e)

2.81 We note a majority of the respondents agreed with allowing the SPAC to include specific circumstances in which time extension can be sought from shareholders and SGX in its constitution. We are of the view that this flexibility can be afforded to a SPAC to specify circumstances it may

foresee for an extension of time and potential abuse of such flexibility is mitigated via SGX RegCo's review of the SPAC's constitution provisions at IPO and the requirement to seek SGX's approval and shareholders' approval respectively for an extension of time. This provides transparency to shareholders on their expectations for the SPAC's extension of time and ensures SPAC's accountability via the layer of approvals required.

2.82 We have as part of our efforts to increase the sponsor's skin in the game and alignment of its interest with the interest of shareholders, imposed a minimum securities participation on sponsors (as set out in paragraphs 2.133 to 2.136). In respect of such securities participation for which full consideration is paid based on the subscription price at IPO, we are of the view that sponsors should not be unduly disenfranchised. Accordingly, we will proceed with amendments to permit the founding shareholders, the management team and their respective associates to vote on the extension of time shareholders' resolution, based on their respective shareholdings in the SPAC (excluding their sponsor's promote holdings). We note certain respondents' feedback that an ordinary resolution approval threshold is sufficient, while a few respondents took the view that a special resolution passed by shareholders is appropriate and regulatory approval should not be required. However, we are of the view that the approval threshold for the extension of time should be by way of special resolution given that the founding shareholders, the management team and their respective associates are permitted to vote on the resolution and the extension of time is a fundamental decision to extend the life cycle of a SPAC.

2.83 In respect of the additional safeguards suggested for shareholders' interests, we do not think it is necessary for added complexities as SGX's approval will be required alongside shareholders' approval and such suggestions are not in line with the current market practices for shareholder resolutions passed by SGX-listed issuers.

2.84 In respect of the suggestion to permit time extensions via shareholders' approval at IPO subscription, we have enhanced the regulatory requirement on the permitted timeframe for SPACs to complete their business combination as set out in paragraphs 2.76 to 2.79. Disclosures should be made in the IPO prospectus of the automatic time extension condition of up to 12 months where a binding agreement has been entered into for the business combination and the SPAC requires more time to complete the business combination beyond 24 months. However, we do not think shareholders' approval at IPO subscription will be appropriate for time extensions sought beyond the 24th month as such time extensions should be granted where a binding agreement has been signed for the business combination or for such other compelling reasons. As the SPAC will be required to demonstrate compelling reasons which are typically unforeseen and subjective in nature, both SGX's and shareholders' approvals should be sought at the relevant time.

Questions 5(f)

2.85 We agree with the concerns shared by respondents that frequent SGXNet announcements of milestone updates might not be meaningfully substantive due to confidentiality and commercial sensitivity of the potential business combination transactions. Furthermore, such milestone updates could lead to speculative trading market and adversely affect the negotiating powers of the SPAC. Accordingly, we will make amendments to dovetail this requirement for regular updates by the SPAC to shareholders and the maximum time frame requirement for the SPAC to complete a business combination set out in paragraphs 2.76 to 2.79. We will require the SPAC to provide quarterly SGXNet announcements in respect of milestone updates after the 24th month. This requirement will ensure that shareholders will be kept apprised of the SPAC's status in its final period of its life cycle, assuming that the SPAC had either triggered an automatic time extension by having entered into a binding agreement for a business combination, or obtained SGX's and shareholders' approval for a time extension to seek a business combination.

2.86 For clarity, continuing listing disclosure obligations under Mainboard Rule 703 and the corresponding corporate disclosure policy guidelines will apply to the SPAC's business combination progress.

2.87 With respect to alternative suggestions provided on frequency of updates on the SPAC's cash utilisation, we are of the view that a quarterly announcement would be most appropriate given that 90% of the SPAC's IPO proceeds are held in escrow, there are unlikely to be significant fluctuations in the amount of escrowed funds, while monthly updates on cash utilisation might be excessive and administratively tedious for the SPAC.

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.

Comments Received

Questions 6(a) and 6(b)

2.88 Most of the respondents agreed with the proposal for 90% of the IPO proceeds to be placed in an escrow account, as it is an appropriate safeguard to protect the invested funds of independent shareholders.

2.89 Some respondents suggested various alternative thresholds with respect to the amount of IPO proceeds to be kept in the escrow account. Most of these respondents commented that more than 90% of the IPO proceeds should be put into the escrow account while some suggested up to the extent of 100% of the proceeds. They were of the view that, notwithstanding our proposal is consistent with the regulatory requirements of other exchanges in the U.S., Toronto and Malaysia, the U.S. market practice has developed such that recent SPACs typically place 100% of the IPO proceeds in the escrow account. Two respondents suggested for the annual operating expenses to be excluded from the escrow account, and for the escrow account to be operated independently of the management team. Two respondents suggested for the minimum threshold amount kept in the escrow account to be lowered to 80% in the third year of the SPAC in order to provide the SPAC sufficient funds in their pursuit of a business combination. One other respondent suggested a tiered

requirement based on the market capitalisation size of the SPAC (ranging from 90% for smaller sized SPACs to 95% for larger sized SPACs).

2.90 With respect to the utilisation of the escrowed funds for permitted investments, a significant majority were supportive with the proposal as it is consistent with the approach in other jurisdictions such as the U.S., Toronto and Malaysia for the escrowed funds to be invested in low risk, safe and liquid investments. This ensures additional income can be earned from the idle escrowed funds to enhance returns to investors.

Questions 6(c) and 6(d)

2.91 A majority of the respondents agreed with the proposal to permit a draw down on the escrow account under exceptional circumstances with independent shareholders' approval by special resolution and SGX's approval, as such approach provides flexibility to address exceptional circumstances and at the same time ensures accountability to shareholders and regulatory oversight. A few respondents who disagreed were generally of the view that the escrowed funds should strictly be for the purposes of the business combination, the redemption exercise and the liquidation distribution. While it is unlikely for there to be situations that require further drawdown from the amounts in the escrowed account, the 10% of IPO proceeds not placed in the escrow account should be sufficient to deal with most unexpected situations.

2.92 One respondent was of the view that either of independent shareholders' or SGX's approval should be required for cost and time saving reasons, while another respondent suggested SGX places a cap on the maximum proportion of funds to be allowed for exceptional drawdown at for example, 25% of the amounts in the escrowed funds.

2.93 A majority of the respondents agreed with the proposal to allow a draw down on the interest earned and income derived from the escrowed funds for payment of administrative expenses incurred by the SPAC. They were of the view that it is reasonable to make a draw down for such purposes given that it will not diminish the baseline protection for shareholders since 90% of the IPO proceeds will continue to be escrowed.

2.94 On the other hand, reasons provided by those who disagreed with the proposal include:

(i) The interests earned and income derived from the escrowed funds belong to the shareholders.

(ii) As 10% of the IPO proceeds will not be placed in the escrow account, such amount should be sufficient for payment of administrative expenses incurred by the SPAC.

(iii) The market practice is for the sponsor of the SPAC to bear these administrative costs and the risk of higher administrative expenses should remain with the sponsor. Accordingly, any incremental amount of interest earned is typically retained in the escrow account and paid to SPAC shareholders on a pro-rata basis upon a redemption at business combination or liquidation of the SPAC.

(iv) The interests earned and income derived from the escrowed funds should only be permitted for expenses incurred relating to the effecting of the business combination.

SGX's Response

Questions 6(a) and 6(b)

2.95 We note the majority of the respondents agree with the proposals.

2.96 We note suggestions made by some of the respondents based on recent market observations to require a higher percentage threshold of IPO proceeds to be placed in the escrow account. However we have decided to retain the 90% threshold in line with the regulatory requirements in the U.S. exchanges, TSX and Bursa. Market discipline and commercial negotiations will factor into a SPAC's considerations as to the structure of its terms of offering including voluntarily increasing the quantum of escrowed funds beyond the 90% regulatory threshold. In response to suggestions for the escrow account to be operated independently of the management team of the SPAC, we wish to highlight that the escrow account is to be opened with and operated by an independent escrow agent that is a financial institution licensed and approved by MAS.

2.97 We disagree with the suggestion to reduce the minimum threshold of IPO proceeds to be kept in the escrow account to 80% on the third year as there is no justification to allow a blanket buffer to draw down on the principle IPO proceeds kept in the escrow account in the third year.

2.98 In respect of the suggestions in relation to the permitted investments for the escrowed funds, we intend to afford flexibility on the choice of low risk, safe liquid investments by the SPAC and will retain the broad definition of permitted investments as "cash or cash equivalent short-dated securities of at least A-2 ratings (or an equivalent)". Such approach is consistent with our position for cash companies as set out in Mainboard Rule 1018. Investments to be made by the SPAC with the escrowed funds is expected to meet the established parameters and a copy of the escrow agreement will be required to be submitted to SGX for review, with details of the escrow agreement to be disclosed in the IPO prospectus for investors' assessment. We will make amendments to include a specific definition of the permitted investments in the definition section of the Mainboard Rules.

2.99 We note concerns from some respondents on the depletion of the escrowed funds and wish to highlight that the SPAC will maintain and secure the escrow arrangement(s) at all times over the funds in the escrow account and the escrowed funds are permitted to invest in low risk, safe and liquid investments of cash or cash equivalent short-dated securities of at least A-2 ratings (or an equivalent). We agree with certain respondents' view that the sponsor should be focused on ensuring the completion of a business combination transaction, and that investing the escrowed funds should not be its principal business. We wish to clarify that permitting the investments of the escrowed fund in low risk cash or cash equivalent short-dated securities allows additional income to be earned from the idle escrowed funds to help preserve value of the principal investments by investors, but at the same time does not require the sponsor to shift from its primary focus in its pursuit and completion of a business combination transaction.

2.100 With respect to a concern raised on the sponsor using the remaining IPO proceeds which are not held in the escrow account to fund their professional fees and salaries, we note that it is typical market practice in the U.S. that the sponsor and the management team are not paid fees or remuneration from the IPO proceeds[19]. Nevertheless, as the quantum of IPO proceeds raised and the uses of the IPO proceeds will be clearly disclosed in the IPO prospectus, investors will be able to make an informed decision before investing into the SPAC. Further, cash utilisation of the funds that are not held in escrow will be announced quarterly via SGXNet by the SPAC.

Questions 6(c) and 6(d)

2.101 We note the majority of the respondents agree with the proposals.

[19] *BDO, BDO Knows SPACs – Tax Treatment of SPAC Founder Shares, retrieved online from: https://www.bdo.com/insights/assurance/accounting-and-reporting-advisory/bdo-knows-spacs-tax-treatment-of-spac-founder-shar.*

2.102 We are of the view that it is reasonable to provide the flexibility to the SPAC to draw upon the escrowed funds in exceptional circumstances. As such circumstances are typically not predictable and unforeseen, adequate safeguards to obtain the respective approvals of shareholders and SGX are required as a form of check and balance. A higher approval by way of special resolution serves to further protect investors' monies in the escrow account.

2.103 As mentioned above, we have as part of our efforts to increase the sponsor's skin in the game and alignment of interest with the interest of shareholders, imposed a minimum securities participation on sponsors (as set out in paragraphs 2.133 to 2.136). In respect of such securities participation for which full consideration is paid based on the subscription price at IPO, we are of the view that sponsors should not be unduly disenfranchised. We will therefore make amendments to permit the founding shareholders, the management team and their respective associates to vote on this resolution, based on their respective holdings of the SPAC (excluding their sponsor's promote holdings). Given the threshold of a shareholders' special resolution, as well as the requirement for SGX's approval, we are of the view that these persons should not be disenfranchised from participating in the vote on draw down of escrowed funds under exceptional circumstances.

2.104 Consistent with the U.S. and Toronto requirements, we will permit interest earned and income derived from the amount placed in the escrow account to be drawn down by the SPAC as payment for administrative expenses incurred by the SPAC in connection with the IPO, general working capital expenses and related expenses for the purposes of identifying and completing a business combination. The principal IPO proceeds kept in the escrow account at the onset will not be permitted for such utilisation. Based on the market feedback, although it has been noted that typical market practice in the U.S. has evolved to only apply interest earned and income derived from the escrowed funds (i) towards payable taxes by the SPAC; and (ii) of up to US$100,000 to fund costs and expenses of dissolution and liquidation in the event of a failure to consummate a business combination within the permitted time frame and considering the requirements of the other exchanges, we will retain our approach and not be overly prescriptive on the specific uses for interest earned and income derived from the escrowed funds. In view that the interest earned and income derived from the escrowed funds are over and above the IPO proceeds placed in escrow and that it is typical market practice in the U.S. and Toronto for SPACs to utilise these amounts for certain administrative and general working capital expenses, we believe the market is familiar with such arrangement and will allow market discipline to play a role in ensuring that the SPAC structures its terms of offering in accordance with market practice.

2.105 For clarity, we will require as part of the listing requirements, quarterly SGXNet announcement of the cash utilisation by the SPAC, including the utilisation of any interest and income derived from the amounts placed in the escrow account.

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.

Comments Received

Questions 7(a) and (b)

2.106 A significant majority of the respondents agreed with having the fair market value of the SPAC's initial acquisition to amount to at least 80% of the amount held in the escrow account as such requirement was standard and in line with the other exchanges' practices. Some of the respondents were of the view that this requirement will safeguard investors' interests and ensure that the target company will be sizeable and has an identifiable core business.

2.107 One respondent was of the view that there should not be a minimum market value percentage applied as this could lead to a possibility of SPACs overpaying a target company given that the target company may strengthen their bargaining power with the knowledge of a minimum percentage requirement, particularly when there is little time left for the SPAC to complete its business combination transaction.

2.108 A minority of the respondents disagreed with the proposal primarily because the initial market capitalisation requirement proposed was S$300 million and a target company to meet a fair market value amounting to 80% of the escrow funds was too high thereby limiting the array of target companies pool in the region to consummate a business combination with. Two of these respondents suggested lower percentage thresholds of 50% and 70% respectively. Other reasons for the disagreement include:

(i) Such requirement is not necessary as the valuation of the target company should be left to commercial negotiations, on a willing-buyer / willing-seller basis. Market forces will self-regulate to decide, based on the SPAC's securities' performance and whether to approve the business combination proposal.

(ii) It is sufficient for the resulting issuer to meet any of the admission criteria under the Mainboard Rules as such listing standard is consistent with that of a traditional IPO issuer.

2.109 Respondents were divided on the proposal to require at least one initial acquisition to satisfy the requirement of the target company to have a fair market value of at least 80% of the amount held in escrow account, with a slight majority being against such proposition. Respondents who were supportive of the proposal commented that it is vital for there to be a core acquisition to anchor the rest of the complementary satellite acquisitions where multiple acquisitions are being consummated for the business combination.

2.110 Respondents who disagreed with the proposal cited the following key reasons:

(i) Multiple concurrent acquisitions should be permitted for aggregation to meet the 80% percentage threshold as the 80% threshold is too high considering the high minimum market capitalisation size requirement required of the SPAC at IPO.

(ii) In certain industries and asset classes, such as infrastructure and real estate assets, it is common for portfolio acquisitions involving assets which individually may not be significant, but in aggregate are large-scale acquisitions in nature. There could be practical difficulties in certain situations specifically with respect to requiring at least one initial acquisition that has a fair market value constituting at least 80% of the amount in the escrow account.

(iii) Although it is less common for multiple concurrent acquisitions to be consummated for a business combination, flexibility should be afforded to sponsors, and such requirement is inconsistent with other exchanges[20] where SPACs are permitted to aggregate multiple concurrent transactions to meet the 80% threshold.

2.111 A number of respondents who disagreed with the proposal nevertheless recognised the importance of synergies between the multiple concurrent acquisitions consummated for the business combination and suggested that amongst the multiple concurrent acquisitions, there be at least one acquisition that forms an "anchor" investment, with a fair market value of at least 50 – 60% of the amount held in the escrow account. The aggregate fair market value of the multiple concurrent acquisitions should in total comprise of at least 80% of the amount held in the escrow account. Two of these respondents further suggested for SGX to retain discretion to assess the business combination structure on a case-by-case basis for flexibility where SPACs are able to demonstrate sufficient basis to not meet the default 80% threshold with one initial acquisition. Another respondent suggested permitting a 12-month rolling aggregation period, for the value of acquisitions within such period to be aggregated to fulfil the 80% threshold.

2.112 One respondent requested clarification whether the inter-conditionality is a one-way mechanism where the concurrent transactions are conditional on the initial acquisition that meets the 80% threshold while such initial acquisition is not conditional on the concurrent transactions.

2.113 Another respondent asked on the definition of the fair market value of the target company, especially in cases when additional financing is required at the time of business combination to make up the difference between the value of the target company and cash held in the SPAC's escrow account.

Question 7(c)

2.114 The majority of the respondents agreed with the proposal of appointing an independent valuer to value the target business(es) or asset(s) to be acquired under the business combination transaction. The primary reasons provided were that (i) the practice of appointing an independent valuer is understood in the local context and consistent with the current listing rules for VSA and RTOs; and (ii) such appointment will promote transparency and safeguards investors' interests to be better equipped in assessing the proposed business combination as an independent valuation process can ensure the veracity of the negotiated valuation of the target company.

[20] Rules IM-5101-2(a) and (b) of the NASDAQ Stock Market; Section 102.06 of the NYSE Listed Company Manual; Sections 119(a) and (b) of the NYSE American Company Guide; Section 1023 of Part X of the TSX Company Manual; and paragraph 6.34 of Securities Commission ("**SC**") Malaysia's Equity Guidelines.

2.115 On the other hand, the respondents who disagreed with the appointment of an independent valuer cited the following key reasons:

(i) The participation of PIPE [21] investors at the business combination stage supports and validates the valuation of the business combination, as they will separately conduct their own set of due diligence and valuation work in assessing the terms underpinning the business combination. Hence, their presence will fulfil the function of a market-based price discovery mechanism.

(ii) The independent valuation report may not be meaningful, considering that typical business combination targets are high growth companies in niche or novel industries which independent valuers typically may not have sufficient experience and information for comparative valuing.

(iii) This requirement impedes the ability of the sponsor of the SPAC to negotiate. Commercially, buyers / sellers typically conduct the assessment of the appropriate value of a business in-house or seek professional advice, and may not commission a formal valuation report that is issued and available to both the buyer and seller. Even if a formal valuation is conducted which is available to both buyer and seller, parties may not necessarily transact precisely or proximate to a formal valuation number. If shareholders are not in favour of the business combination, they have the ability to vote against it and sell or redeem their shares.

(iv) The requirement should not be hard-coded but encouraged as a best practice. The SPAC and financial advisor should be able to determine whether an independent valuer should be appointed, while SGX can retain the discretion to direct an independent valuer to be appointed.

(v) The financial advisor (who is an accredited issue manager) appointed to advise on the business combination transaction will have the competency to conduct a valuation.

(vi) If negotiations are conducted on an arm's length basis, it is unnecessary to incur additional costs, undue delay and further uncertainty, which diminishes one of the key benefits of a SPAC listing, which is known to have the advantage of a faster time to market. Such requirement should be imposed where the business combination transaction is an interested person transaction that falls within Chapter 9 of the Mainboard Rules.

(vii) Such requirement should apply under specific situations – (a) where a PIPE investment is not conducted for the business combination; or (b) in line with current listing requirements, where the target company is a mineral, oil or gas ("**MOG**") company or a property investment / development company.

2.116 Two respondents suggested an alternative to require an independent financial adviser to benchmark and opine on the fairness and reasonableness of the business combination transaction including the purchase price of the target company, as opposed to requiring an independent point valuation number.

2.117 One respondent suggested (i) for independent directors of the SPAC to be pre-qualified to safeguard interests of investors; and (ii) in the case of larger sized SPACs and business combination acquisitions in excess of S$1 billion, there should be two independent valuers appointed to value the target company.

[21] "PIPE" refers to private investment in public equity, where shares of a public company are sold in a private arrangement with a selected investors or group of investors, typically institutional or an accredited investors.

SGX' Response

Questions 7(a) and (b)

2.118 We note the significant majority support for the minimum fair market value of the target company of at least 80% of the amount in the escrow account. We have carefully considered the feedback and various suggestions by respondents who disagreed that such requirement should be met by one initial acquisition. Given that we have revised the minimum market capitalisation requirement to S$150 million (as mentioned in paragraph 2.33), we have decided that it is reasonable to retain our initial proposal set out in the Consultation where the fair market value of the SPAC's *initial acquisition* should amount to at least 80% of the amount held in the escrow account. It is important to retain the requirement for an initial acquisition to meet the fair market value threshold to ensure that the resulting issuer has a sizeable and identifiable core business of which it has majority ownership and/or management control of. Having refined the minimum market capitalisation requirement of the SPAC IPO, there should not be hardship in meeting the 80% threshold with the SPAC's initial acquisition.

2.119 We note one respondent's feedback that the minimum fair market value requirement would strengthen the bargaining power of the target company, we are of the view there should be minimal concerns in view that the resulting issuer is typically 3 to 8 times the initial SPAC size (i.e. beyond the minimum 80% threshold required) and such requirement is consistent with other exchanges who permit the listing of SPACs.

2.120 With respect to the clarification sought on the requisition for inter-conditionality in the case of multiple concurrent acquisitions, we will make amendments to clarify that concurrent acquisitions transactions must be respectively approved and conditional upon the approval of the initial acquisition transaction. However, we will not require approval for the initial acquisition (which shall have a fair market value of 80% of the amount in the escrow account) to be conditional upon these other concurrent transactions, as this initial acquisition will have met the requirements.

2.121 We recognise the concerns raised by a few of the respondents on the nature of certain portfolio acquisitions in certain industries and asset classes such as infrastructure and real estate assets where the acquisition may be undertaken on a portfolio basis. Notwithstanding our primary position that there should be an initial acquisition amounting to at least 80% of the amount in escrow, we are prepared to consider a waiver on a case-by-case basis to allow for the SPAC to aggregate multiple concurrent acquisitions to meet the 80% threshold for such portfolio acquisitions. The SPAC must demonstrate sufficient bases on the nature of the acquisitions and these concurrent acquisitions are to be respectively approved and inter-conditional, and completed simultaneously on or around the same day.

2.122 In respect of the clarification sought by a respondent on the definition of "fair market value", we wish to highlight that there is a general universal understanding of "fair market value" to be akin to the reasonable price agreed on a willing buyer and willing seller basis under normal market conditions and at arm's length basis. We do not see a particular need to define this term under the Mainboard Rules, and this approach is consistent with other exchanges that permit the listing of SPACs as no definition has been provided for "fair market value".

Question 7(c)

2.123 Having carefully considered the diverse feedback and alternative suggestions from respondents, we are persuaded that an independent valuer is not necessary when a PIPE investment is conducted as the PIPE investors act as an additional layer of check and balance. Based on market feedback and further market engagement, we understand that PIPE investors coming in at the time of the business combination are typically long-term investors such as institutional investors and long-only

funds and it is typical practice as per in the private equity space that PIPE investors conduct their own due diligence including assessing the valuation and other business combination terms. PIPE financing is almost an essential component in most de-SPAC process and PIPE investors typically subscribe for shares during the PIPE investment at the IPO issue price to ensure parity with the SPAC IPO investors[22]. We agree with the respondents' argument that the investment made by the PIPE investors will provide a form of validation to investors on the valuation of the business combination transaction as these PIPE investors are willing to participate in the long-term success of the resulting issuer, and such market-based price discovery mechanism is generally similar to that of the bookbuilding process for an IPO.

2.124 Accordingly, we will make amendments to require an independent valuer to be appointed for the business combination where (i) a PIPE investment is absent; or (ii) MOG targets and property investment / development targets are acquired by / merged with the SPAC for the business combination. The latter scenario is consistent with the position for a traditional IPO regime conducted in Singapore. Where a business combination is considered an interested person transaction ("**IPT**"), Chapter 9 of the Mainboard Rules shall apply (including the requirement to appoint an independent financial adviser).

2.125 In the event that an independent valuer is not appointed, we will require the financial advisor and the board of the SPAC to state their respective views (with bases) in the shareholders' circular of the business combination, on why it is not necessary to obtain an independent valuation on the business combination transaction. For instance, if PIPE investors are involved and an independent valuer is not appointed in reliance on such situation, we will expect disclosures to be made in the shareholders' circular of the business combination to explain why the involvement of PIPE investors would address the independent valuation issue. Nonetheless, SGX will retain the discretion to require the SPAC to appoint a competent and independent valuer to value the business(es) or asset(s) to be acquired under the business combination. We will proceed to make amendments to reflect the foregoing. For clarity, in exercising such discretion, SGX will, among others, consider the reasonableness of the PIPE investment and that such investment should be meaningful, thereby justifying the non-appointment of an independent valuer. This includes considering the profile of the PIPE investors and the size of the PIPE investment.

2.126 In response to the suggestion to pre-qualify independent directors to be appointed to the board of the SPAC to safeguard investors' interests, we do not think it is necessary to specifically establish a qualification scheme for independent directors of a SPAC but rather, we are proactively working with the Singapore Institute of Directors ("**SID**") on collaborative initiatives such as to curate a course curriculum to educate potential directors of a SPAC (including independent directors) and increase their knowledge and understanding on peculiarities of a SPAC. This will help independent directors of a SPAC to be familiar with SPACs, and to better perform their roles and responsibilities thereby safeguarding the interests of independent shareholders.

2.127 We disagree with the suggestion to require the appointment of two independent valuers for the business combination for larger SPACs and business combination acquisitions exceeding certain thresholds as it does not appear to be a meaningful nor effective safeguard given the lack of bases in imposing more stringent requirements based on the size of the SPAC or business combination.

[22] *Ilirjan Pipa, Christopher Hawley, Adam Baginski, SPACs and private investment in public equity (1 July 2021), retrieved online from: https://mcdonaldhopkins.com/Insights/July-2021/SPACs-and-private-investment-in-public-equity; and Matthew Frankel, SPAC Investing 101: What is a PIPE, and What Should Investors Expect After a Deal? (26 March 2021), retrieved online from: https://www.fool.com/investing/2021/03/26/spac-investing-101-what-is-a-pipe-and-what-should/.*

Question 8: Minimum Equity Participation ("MEP")

Do you think there should be a requisite MEP 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.

Comments Received

2.128 There was a general consensus amongst the majority of the respondents for the implementation of the MEP requirement in recognition that this will enhance an alignment of interest between the sponsor and the management team, and other independent shareholders of the SPAC, as these investors would be basing their investments decisions on the track records of the sponsor. Another supportive reason provided was the demonstration of the quality of the sponsor via capital commitment when fulfilling the MEP requirement. Some respondents were of the view that pegging the quantum of the MEP to the market capitalisation of the SPAC was reasonable.

2.129 Amongst the respondents who were supportive of the requirement, some were of the view that sponsor and the management team should have substantive "*skin-in-the-game*" to demonstrate its commitment and ensure sufficient alignment of interests with other independent SPAC shareholders. A few respondents noted that aggregate quantum thresholds of the cash contribution could be too high, while some respondents proposed percentage-based thresholds ranging from 1.5% to 30% of the market capitalisation of the SPAC.

2.130 Reasons expressed by respondents who disagreed with the MEP requirement include:

(i) Introduction of an MEP requirement (a) would be overly prescriptive as such equity participation by the sponsor and the management team ought to be market-driven, as the investing public would assess the sufficiency of their equity participation in deciding whether to invest in the SPAC; and (b) may potentially disadvantage SGX as a SPAC listing destination in view that jurisdictions such as the U.S. do not impose a similar regulatory requirement.

(ii) It is not necessary to implement the MEP requirement for the purposes of having a "*skin-in-the-game*" as the sponsor would typically incur sizeable at-risk capital of approximately S$5 million to fund the expenses of setting up and listing the SPAC, and such incurred expenses could be viewed as a similar "commitment" to that of an equity participation. Such at-risk capital includes primarily the up-front costs of establishing and listing the SPAC, which consists of, amongst others, transactional expenses, professional fees and listing fees.

(iii) "*Skin-in-the-game*" participation by the sponsor and the management team should not be limited to subscription of shares and units of the SPACs at IPO, and be permitted in other forms such as warrants. Sponsors typically participate through the subscription of warrants at the time of the SPAC IPO in the U.S., which arguably has greater alignment of interests of sponsors and other shareholders, in view that warrants are of value only when in-the-money and thus sponsors would be more incentivised to deliver value to SPAC investors.

2.131 A few respondents who were supportive suggested to allow the sponsors flexibility to satisfy the MEP requirement via the option of providing upfront commitment to contribute funding at the point of business combination such as through forward purchase agreements, which has been observed in the U.S. market practice.

2.132 Two respondents sought clarification on whether the typical at-risk capital for the purposes of funding the costs of the SPAC IPO would be incurred by sponsors[23] and would be taken into account to satisfy the MEP requirement.

SGX's Responses

2.133 We note that a majority of the respondents supported this proposal. Notwithstanding the U.S. market practice of sponsors providing initial contributions to the SPAC through various forms including shares, units and/or warrants, or committing upfront to future funding contribution, it remains necessary to signal the fundamental importance of sponsor's alignment of interests with other independent shareholders by stipulating an MEP requirement. We are of the view that there should not be hardship posed to quality sponsors in complying with the MEP requirement as we have given due consideration to the U.S. practices on the appropriate thresholds, and the form and timing of the participation by the sponsor.

2.134 Having taken into account (i) respondents' feedback that the sponsor typically bears the at-risk capital via the subscription of warrants at IPO; and (ii) respondents' suggestions to broaden the flexibility for sponsors to structure the manner of their participation in the SPAC, we intend to afford the sponsors flexibility on both the form and the timing of their capital commitment (including the at-risk capital). We have calibrated the Mainboard Rules to allow the founding shareholders and/or the management team to have the option of fulfilling the MEP requirement via subscription for units, shares and/or warrants, including that they may structure their capital outlay to be at the point of IPO and/or irrevocably committing upfront at IPO to invest in the resulting issuer no later than at the point of business combination (with the subscription price of the securities to be no less than the IPO subscription price of the respective equity securities). For avoidance of doubt, we will not dictate how the sponsor intends to structure the manner of the at-risk capital and their demonstration of alignment of interests with other independent shareholders. Commercial flexibility is accorded on this front as long as there is a minimum fulfilment of an aggregate value commitment by the sponsor.

2.135 Based on the feedback received, we agree with the general preference for a percentage-based MEP requirement, as opposed to a fixed quantum MEP requirement, in view that this accords fairer treatment of SPACs across the various market capitalisation size tiers. However, the alternative figures (i.e. 1.5% to 30%) suggested by the respondents reflect the diverse views on the minimum threshold of the MEP requirement. We have considered respondents' suggestions carefully and taking into account the flexibility afforded to the sponsor and the management team on the form and timing of their minimum securities participation, we will proceed to refine the base percentage to 3.5% of the lowest tier of market capitalisation size. This refinement is aligned with our observations and feedback received as the typical upper limit of percentage participation by sponsors in the U.S.

[23] One respondent noted that the existing market practice in the U.S. is for sponsors to commit at-risk capital and be solely responsible for covering the costs incurred in relation to the SPAC's IPO.

2.136 Based on the above, we will proceed with the amendments to refine the MEP requirement as a minimum securities participation requirement:

Market Capitalisation of the SPAC (S$ million) ("M")	Proportion of subscription
150 ⩽ M < 300	3.5%
300 ⩽ M < 500	3.0%
M ⩾ 500	2.5%

Question 9: Period of Moratorium

(i) Your views are sought on the moratorium to be observed by (i) the founding shareholders, the management team, the controlling shareholders and their respective associates following the SPAC's IPO; and (ii) the SPAC's founding shareholders, the management team and their respective associates, the controlling shareholders of the resulting issuer and their associates, and the executive directors of the resulting issuer with an interest in 5% or more of the issued share capital subsequent to the business combination. Please state the reasons for your views.

(ii) 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 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.

Comments Received

Question 9(a)(i): Moratorium to be Observed following the SPAC's IPO

2.137 A significant majority of the respondents agreed with the proposal to moratorise the shareholdings of the founding shareholders, the management team, the controlling shareholders and their respective associates in the SPAC (the "**IPO Key Persons**") from the date of the SPAC's listing on SGX-ST until the completion of the business combination. These respondents were of the view that imposing a moratorium requirement is reasonable for reasons including:

(i) It is essential for the IPO Key Persons to align their interests with the independent SPAC shareholders and remain invested in the future growth and strategy of the SPAC, as investors have invested in the SPAC IPO based on the track record and experience of the sponsor and its team. This will in turn instil investor confidence in the SPAC.

(ii) This commitment ensures the quality of the sponsor and degree of quality in the business combination as these key persons will participate in the business combination.

(iii) The market is familiar with such regulatory requirement which is imposed for traditional IPOs and will assist to minimise volatility in the share price of the SPAC.

(iv) Such requirement has similarly been adopted in other exchanges such as TSX and Bursa[24].

(v) While the moratorium period imposed on the IPO Key Persons are longer than the traditional IPO moratorium period, this requirement is in line with arrangements in private equity funds where the manager will have a minimum equity participation throughout the life of the fund.

(vi) Although there is no stipulated regulatory moratorium period in the U.S. and lock-ups of the sponsor's holdings are market driven and commercially negotiated, it is recognised that this requirement is unlikely to deter sponsors from pursuing SPAC listings in Singapore as sponsors have no commercial incentive to dispose their holdings prior to the completion of business combination.

2.138 Some respondents who were supportive of the moratorium requirement have suggested that the moratorium period should be consistent with the moratorium requirements imposed in a traditional IPO, while another respondent suggested that the shares held by the IPO Key Persons to be moratorised for the first 12 months, and thereafter 50% of their shares to be moratorised for the next 12 months unless a business acquisition is completed earlier.

2.139 Respondents who disagreed with the proposal were generally of the view that that a moratorium requirement was not necessary (or if mandated, should be of reasonably short duration of no more than 6 months) as it should be left to commercial negotiation between involved parties of the SPAC (e.g. the sponsor and underwriters). In addition, a few respondents noted that similar moratorium requirements were not imposed in the case of U.S. SPACs, and from a commercial perspective, a sponsor would not have incentive to dispose of its stake in the SPAC prior to the business combination, and would instead be incentivised to complete a business combination.

Question 9(a)(ii) Moratorium to be Observed following the Business Combination

2.140 A majority of the respondents agreed with the proposal to moratorise the shareholdings of (i) the founding shareholders, the management team and their respective associates; and (ii) 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 (collectively, the "**BC Key Persons**"), for at least 6 months from the date of completion of the business combination. Respondents recognised the necessity of the moratorium period observed subsequent to the business combination to align interests between the sponsor and the independent shareholders and for the sponsor to demonstrate commitment to the long-term success of the resulting issuer. With respect to the duration of moratorium, the respondents were generally of the view that it is reasonable to impose a minimum duration of 6 months which is typically commercially negotiated and is in line with the U.S. practice of 6 months to 12 months after the completion of the business combination.

2.141 Most of the respondents who disagreed with the proposal were of the view that the moratorium duration should be aligned with those set out under existing Mainboard Rule 229 where the moratorium requirement imposed on the BC Key Persons of applicable resulting issuers is enhanced to require their entire shareholdings to be moratorised for at least 6 months from completion of business combination, and at least 50% of such shareholdings for the subsequent 6 months. Applicable resulting issuer refers to one which either satisfies the market capitalisation test under

[24] Section 1004 of Part X of TSX Company Manual states that the founding security-holders must agree not to transfer any of their founding securities prior to the completion of a qualifying acquisition.
Paragraph 6.16 of SC Malaysia's Equity Guidelines states that at the minimum, members of the management team are not allowed to sell, transfer or assign their entire holdings in the securities of the SPAC as at the date of listing of the SPAC on Bursa Securities, from the date of listing until the completion of qualifying acquisition. Upon completion of the qualifying acquisition, members of the management team are allowed to sell, transfer or assign up to a maximum of 50% per annum, on a straight-line basis, of their respective holdings in the securities under moratorium.

Mainboard Rule 210(2)(c), is a MOG or a life science company at the point of business combination.

2.142 Some respondents suggested that the moratorium period subsequent to the SPAC's business combination be lengthened to a period of 12 months while another respondent suggested at least 3 years. These respondents were of the view that a longer moratorium period post-business combination would further align the interests between the sponsor and the independent shareholders, and ensure a higher quality of sponsor that will be incentivised to search for targets with long-term value creation. Others commented that any moratorium requirement should be subject to commercial negotiations between involved parties (e.g. founders and the owners of the target company) and should not be regulated.

2.143 A few respondents suggested to afford the sponsor flexibility for a sale of their shareholdings during the moratorium period with the consent of independent shareholders.

Question 9(b)

2.144 A majority of the respondents supported the view that pre-IPO investors 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 for the following reasons:

(i) The market is familiar with such shareholder protective mechanism which is similarly imposed for traditional IPOs.

(ii) Such imposition on pre-IPO investors will not have much deterrent effect on sponsors and investors' interests in pursuing SPAC listings in Singapore as it is fair for moratorised shareholdings to be based on the cash formula (i.e. calculated based on the difference between the IPO price and the price at which the pre-IPO investor acquired the shares, if any) rather than a blanket restriction on entire shareholding interests.

(iii) Pre-IPO investors' typical exit strategy is not upon the listing of the SPAC but rather pursuant to the completion of the business combination.

2.145 Some respondents who disagreed took the view that pre-IPO investors should observe a moratorium of their entire shareholdings until completion of the business combination (similar to that of the IPO Key Persons set out in paragraphs 2.147 and 2.148) as their involvement potentially influences other investors' investment decisions, and thus the alignment of pre-IPO investors interests with that of sponsors is necessary. Conversely, other respondents were of the view that pre-IPO investors should not be subject to any form of moratorium or at most a shortened period of 6 months (in line with the existing requirements under Mainboard Rules 229(3) and 229(4) for pre-IPO investors) for reasons that, (i) there is unlikely to be pre-IPO investors alongside the sponsor and any moratorium requirement should be subject to commercial negotiations between involved parties and should not be regulated; and (ii) non-related investors to the sponsor should not be unduly hampered from trading on their shareholdings in the SPAC.

2.146 Some respondents requested clarifications on whom the term "pre-IPO investors" referred to and whether PIPE investors and/or investors who have entered forward purchase agreements to acquire interests in the resulting issuer upon the completion of the business combination would be subjected to the moratorium requirements under the Mainboard Rules.

SGX's Responses

Question 9(a)(i): Moratorium to be Observed following the SPAC's IPO

2.147 We note the significant support from the respondents on this proposal. Consistent with feedback, we wish to emphasise on the unique characteristics of a SPAC which distinguishes it from a traditional IPO, and therefore it is important that the moratorium period be sufficiently differentiated and be applicable from the time of the SPAC's listing until the completion of the business combination to ensure the IPO Key Persons who are involved in the establishment and management of the SPAC have interests which are aligned with the independent SPAC shareholders.

2.148 Additionally, given market feedback that there is minimal commercial incentive for the IPO Key Persons to sell their respective security holdings in the SPAC prior to completion of business combination as they would be incentivised to retain their security holding interests in view of benefiting from the performance of the resulting issuer following the business combination, we are of the view that there should not be hardship in having these key persons comply with the moratorium requirement following the SPAC's IPO.

Question 9(a)(ii) Moratorium to be Observed following the Business Combination

2.149 Post business combination, the BC Key Persons are commercially incentivised and more likely to sell their respective security holdings due to the potential profit to be gained from positive share price performance of the resulting issuer subsequent to the business combination. The imposition of a moratorium period will therefore be necessary to ensure that the BC Key Persons demonstrate commitment to the long-term success of the resulting issuer. It is pertinent to ensure that a moratorium period is observed subsequent to the business combination to align interests between the BC Key Persons and other shareholders.

2.150 We agree with the views of some respondents that the moratorium requirement should be consistent with those set out under existing Mainboard Rule 229, and this falls in line with our position in paragraph 4.34 to require the resulting issuer to meet the initial listing requirements under the Mainboard Rules upon completion of the business combination. The moratorium requirements will be enhanced for applicable resulting issuers and we are of the view that there should not be hardship for BC Key Persons to comply with the requirements in view that the moratorium in the U.S. is typically observed to be commercially negotiated for a period of 6 months to 12 months after the completion of business combination. Any further enhancements will not be necessary as we are of the view that additional moratorium requirements should be left to commercial negotiations of the involved parties. Accordingly, we will proceed to make the amendments. For avoidance of doubt, where the resulting issuer meets the profitability test under Mainboard Rules 210(2)(a) or (b), the respective security holdings of such relevant persons in the resulting issuer will be moratorised for 6 months from the completion of the business combination in line with existing requirements.

2.151 With respect to the respondents' suggestion of introducing flexibility on the sale of shares by the BC Key Persons during the moratorium period subject to the consent of independent shareholders, we are of the view that it is not appropriate to compromise on the fundamental principle to ensure alignment of interests of the BC Key Persons and independent shareholders, and accordingly, the moratorium practice should not differ from the approach for traditional IPOs. Accordingly, we do not foresee a compelling reason for an exception from the requisite moratorium, and wish to reiterate that the alignment of interests between sponsor and the independent shareholders is paramount under the SPACs Framework.

Question 9(b)

2.152 We note the majority respondents' support for pre-IPO investors to 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. Notwithstanding feedback that there is unlikely to be other pre-IPO investors in a SPAC IPO, we will nonetheless specify the moratorium requirements in the event of pre-IPO investors' participation.

2.153 In response to clarifications sought, we wish to clarify that (i) "pre-IPO investors" means persons, other than the founding shareholders, the management team and their respective associates, who invested in the SPAC prior to the IPO; and (ii) with respect to PIPE investors and other investors who have entered into forward purchase agreements to acquire interest in the resulting issuer upon completion of the business combination, they will not be subjected to the moratorium requirements under the Mainboard Rules. Any moratorium provided by these investors will be left to commercial negotiation between parties involved in the business combination negotiations.

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 (collectively, the "**Related Persons**") should not be permitted to vote on the business combination? If your answer is no, please state the reasons for your views.

Comments Received

Question 10(a)(i)

2.154 Most of the respondents supported the proposal for the business combination to be approved by a simple majority of independent directors' approval. The primary reasons provided for the respondents' support were the reasonableness and effectiveness of such requirement to promote accountability of sponsors for the business combination, and that such requirement is consistent with the requirements of other exchanges in the U.S. and Toronto.

2.155 A minority of respondents disagreed for reasons including:

(i) Approval from a simple majority of directors (including non-independent directors) should be required instead.

(ii) Independent shareholders' approval is sufficient, with the benefit of independent directors' views and dissenting directors' reasons disclosed in the shareholders' circular to facilitate investors' decision-making on the merits of the business combination.

(iii) Although independent directors perform an important corporate governance role, their ability to assess the quality of a potential business combination should not carry undue weight at the expense of independent shareholders' vote as they are not involved in the operations of the SPAC.

(iv) There are sufficient regulations, including under the CA, in place to ensure non-independent directors would act in the best interest of the SPACs, notwithstanding any conflict of interests.

(v) Non-independent directors and the founding shareholders, management team and their respective associates should be permitted to participate in the voting process. There is sufficient protection for the independent shareholders since due diligence will be conducted on the business combination by professional firms and the independent shareholders are entitled to exercise their redemption right to exit.

2.156 A few respondents were of the view that the role of independent directors is important including their qualifications and ability to assess and question the quality of a potential business combination identified by the sponsor. One of these respondents suggested to (i) require disclosure of the profile, track record, repute and expertise of the appointed independent directors in the prospectus, and how their appointment is relevant in assessing a business combination given the acquisition mandate and business combination strategy; and (ii) when approving the business combination, the respondent suggested that the independent directors should specify how their expertise is relevant in their assessments.

2.157 A few respondents suggested to allow the entire board of the SPAC to approve the business combination, while another proposed to raise the approval threshold to a special resolution to be passed by the board of the SPAC. Some respondents highlighted that independent directors' approval will be required in view that the Code on Corporate Governance 2018 ("**CG Code**") require independent directors to make up at least one-third of an issuer's board, and the non-independent directors will be required to stand by their decision to proceed with the business combination.

2.158 Another respondent highlighted that the trading of the SPAC shares is purely speculative up till the announcement of a proposed business combination and it noted that retail investors account for 40% of SPAC trading on the U.S. Bank of America's platform as compared with 21% of S&P 500 SPX and Russell 2000 stocks[25]. Given the tendency for active retail participation, more stringent rules are required for the protection of retail investors.

Questions 10(a)(ii) and (b)

2.159 The respondents are divided on the proposal for the business combination to be approved by ordinary resolution passed by independent shareholders of the SPAC at a general meeting to be convened, with a slight majority taking the view that the sponsor and Related Persons of a SPAC should not be permitted to vote on the business combination.

2.160 The key reasons provided by the respondents who supported the exclusion of the sponsor and Related Persons from voting on the business combination were (i) due to conflict of interests, in particular the vested interest arising from the sponsor's promote[26] that the sponsor will receive upon a successful business combination; and (ii) for best practice and to ensure an alignment of sponsor's interests with independent shareholders and that the acquisition target company is palatable to minority shareholders. Two respondents respectively proposed for the business combination resolution to be passed by 2/3 and 75% of the independent shareholders at the general meeting to be convened.

[25] *Michael Brush, Opinion: These are the hidden dangers lurking inside SPACs that can hurt you (27 February 2021), retrieved online: https://www.marketwatch.com/story/these-are-the-hidden-dangers-lurking-inside-spacs-that-can-hurt-you-11614267559.*

[26] "Sponsor's promote" refers to the entitlement to additional equity securities in the SPAC at nominal or no consideration in return for sponsoring a SPAC.

2.161 Respondents who disagreed with the proposal were generally of the view that the sponsor and Related Persons should be allowed to vote on the business combination, unless the business combination transaction is an IPT that falls within the ambit of Chapter 9 of the Mainboard Rules, in which case, all interested parties will have to abstain from voting in compliance with the existing requirements. This would be consistent with the principle and practice adopted for existing listing issuers in the market. Some respondents suggested for alignment of the practice with the U.S. exchanges and TSX where the sponsor and Related Persons are permitted to vote on the business combination, while a few respondents proposed that the approval threshold for a business combination be raised to a special resolution passed by shareholders (including the sponsor and Related Persons) at a general meeting. Other reasons cited by respondents who disagreed with excluding the sponsor and Related Persons from voting on the business combination include:

(i) The sponsor and Related Persons incur at-risk capital and could subscribe at IPO or acquire from the market post-listing of the SPAC, additional equity interests in the SPAC. In addition, the sponsor would have expended significant time identifying the acquisition target, completing due diligence and negotiating the terms for the business combination. Prohibiting them from voting on the business combination disproportionately disenfranchises them as they are, to a certain degree, aligned in terms of their interests with the independent SPAC shareholders. Allowing them to vote on their shareholdings could encourage sponsors to increase their equity participation and further align their interests with the independent SPAC shareholders.

(ii) The sponsor's and Related Persons' abilities to commit their votes in favour of a business combination is critical to potential target companies as it provides a higher degree of deal certainty. In the absence of such undertaking from the sponsor and Related Persons, the target company may be less inclined to go through the rigour of a business combination process as they will be subjected to uncertainty of the vote of the independent shareholders. The prohibition on the sponsor's and Related Persons' abilities to vote on the business combination would result in greater uncertainty to the process, particularly with respect to the sponsor's ability to deliver a transaction. Deal certainty is an important consideration for target companies, and the restriction could meaningfully detract the attractiveness of SPACs versus other liquidity options and diminish the attractiveness of SGX as a listing venue for SPACs.

(iii) There is sufficient alignment of sponsor's interest to ensure a rational and optimal voting outcome taking into consideration the other safeguards under the SPACs Framework in place including (a) the MEP and moratorium requirements, and requirement for a financial adviser to be appointed for the business combination; and (b) the independent shareholders' ability to reasonably exit via their exercise of redemption rights.

(iv) The sponsor and Related Persons are key deal structurers and capital providers to the SPAC who have the necessary know-how to direct and assess the business combination transaction including to accurately ascertain the merits of the transaction, hence, their vote may benefit other shareholders and it is reasonable for them to be accorded voting rights for the business combination.

(v) There is concern in putting the deal entirely in the hands of independent shareholders as they may not fully appreciate the value of the business combination proposed and is not privy to the due diligence and negotiation process.

(vi) This increases the difficulty in obtaining the necessary approval threshold to consummate a successful business combination as the sponsor and Related Persons are unable to vote with their shareholdings.

2.162 One respondent who disagreed suggested a twin-voting criteria to be met by all shareholders – (i) a percentage by value vote; and (ii) a percentage by number vote for those present and voting at a general meeting (including through proxy). On the basis that the sponsor and Related Persons be allowed to vote on the business combination, this suggestion ensures that the sponsor and Related Persons are unable to single-handedly pass the resolutions with their respective shareholdings as such criteria will not only require the majority vote by value of the shareholdings, but also require the majority of the shareholders (present and voting) to have voted.

2.163 Two respondents commented that, typically, independent shareholders may not be sufficiently present at a general meeting to vote on the resolutions, and may consequently lead to a failure to meet the ordinary resolution threshold. Therefore, they suggested that the simple majority should be calculated based on the total number of independent shareholders who are present and voting on the matter.

SGX's Responses

Question 10(a)(i)

2.164 We note certain feedback to require simple majority approval from the entire board of the SPAC and wish to clarify that while there is no restriction for the SPAC to do so, in the event that a board resolution is passed for the business combination, but a simple majority of independent directors did not vote in favour of the business combination, the transaction will not be considered to have satisfied the listing rule requirement.

2.165 Notwithstanding some of the respondents' feedback on the role and relevance of independent directors for SPACs, we remain of the view that independent directors will play a pivotal role in a SPAC as a check and balance to safeguard the interests of the SPAC and/or its independent shareholders. The requirement for the SPAC to obtain simple majority of independent directors' approval is consistent with the requirements adopted by the U.S. exchanges and TSX.

2.166 We acknowledge the feedback on the importance of ensuring independent directors have the relevant background experience and ability to assess the quality of a potential business combination. In this regard, SGX RegCo will, as part of its regulatory review, assess the collective relevance of the independent directors' background, experience and expertise and ensure disclosures are made in the prospectus on their background as required under the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018. Consistent with existing practice for listed issuers, independent directors' recommendations will be disclosed in the shareholders' circular for the business combination. In addition, SGX RegCo is working with the SID on collaborative initiatives such as to curate a course curriculum to educate potential directors of a SPAC and increase their knowledge and understanding on peculiarities of a SPAC.

Questions 10(a)(ii) and (b)

2.167 We are cognisant that the proposal in the Consultation deviates from the practice adopted by the U.S. exchanges and TSX, which does not restrict sponsors and the Related Persons from voting on the business combination. However, our primary concern remains with respect to allowing the sponsor and Related Persons to vote on the business combination transaction due to potential conflicts of interests arising from (i) a business combination that is an IPT under Chapter 9 of the Mainboard Rules; and (ii) voting on the business combination with the sponsor's promote that a sponsor is entitled as "compensation" upon consummation of a successful business combination. These equity interests are obtained at nominal consideration and typically amounts to 20% of the SPAC's issued share capital. Based on our observations of the market practices for U.S. SPACs, sponsors and respective Related Persons are not prohibited from voting on the business

combination with the sponsor's promote.

2.168 We have carefully considered the feedback and, in particular, recognise respondents' concerns that the sponsor and Related Persons should not be disproportionately disenfranchised in respect of their securities participation for the business combination vote (save for transactions involving IPTs and those held through the sponsor's promote). We acknowledge the importance of the sponsor's and Related Persons' abilities to vote in providing a target company sufficient deal certainty through their undertakings to vote in favour of the business combination, as such support will be a vital factor in the target company's risks assessment on whether to undergo the rigour of the negotiation and listing process. Having taken a holistic view of the safeguards under the SPACs Framework, including those that strengthen the alignment of sponsor's interests such as the minimum securities participation and moratorium requirements, and the independent shareholders' exit option via the exercise of their Redemption Rights, we will proceed with amendments to refine the requirement to permit all shareholders (including the founding shareholders, the management team and their respective associates) to vote on the business combination transaction based on their respective holdings of the SPAC (excluding their sponsor's promote holdings). The business combination remains subject to the IPT requirements under Chapter 9 of the Mainboard Rules.

2.169 We do not consider it necessary to adopt the respondents' suggestions on alternative approaches, such as shareholders' approval by way of a twin-voting criteria approval nor a higher threshold of approval via a special resolution passed by shareholders. Given that we do not intend to allow the sponsors and the Related Persons to vote on their sponsor's promote holdings, it is unlikely for them to have substantial influence on the vote on the business combination. Accordingly, we remain of the view that it is sufficient to require an ordinary resolution to be passed by shareholders and this approach is consistent with the existing Mainboard Rules for acquisition transactions involving listed issuers, and in line with the approval threshold adopted by the U.S. exchanges and TSX.

2.170 With respect to suggestion on the approval result computation, we wish to clarify that the shareholders' approval will be based on the number of shareholders who are present and voting at the general meeting to be convened (including through proxy) and this is consistent with the existing practice for listed issuers.

3 Safeguards Against Dilution Risks

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.

Comments Received

Question 11(a)

3.1 A slight majority of the respondents disagreed with the proposal to limit the entitlement to exercise Redemption Rights to only the independent shareholders who vote against the business combination (i.e. linking of Redemption Rights with shareholders' voting decisions). Respondents who supported the proposal were generally of the view that (i) it is fair and reasonable for shareholders, who have exercised their duty to attend the general meeting, to stand by and be fully responsible for their respective voting decisions on the business combination. This ensures the alignment of independent shareholders' decision with the long-term interests of the SPAC; and (ii) the proposed limitation would provide certainty to the SPAC on the impact to share capital and cash management as the maximum amount of redemption based on the initial proposal will be limited to those who voted against the business combination. A few respondents who agreed with the proposal commented that linking the Redemption Rights with voting decisions may help to mitigate the dilutive concern caused by additional financing required to bridge the redemption levels in addition to that required to finance the business combination transaction.

3.2 The primary reasons provided by the respondents who disagreed with the proposal were (i) the deviation from established and accepted practice in jurisdictions such as the U.S. where Redemption Rights have been delinked from shareholders' voting decisions, and thus independent shareholders are permitted to exercise their Redemption Rights regardless of their voting decisions; (ii) preservation of the Redemption Right which is an economic benefit for investing in SPACs, would be a fundamental attractive feature for investors. Removal of the Redemption Right may discourage a large segment of the investor pool from investing in SGX SPAC IPOs and jeopardise the possibility of creating a viable, sustainable SPAC market on SGX; and (iii) the increased likelihood of failure in completing a business combination due to shareholders voting against the business combination out of their desire to retain flexibility on the exercise of their Redemption Rights. The investment risk profile of a SPAC increases in light of the proposal to link Redemption Rights with voting decisions, thereby exposing the sponsor and target company to uncertainty and risks of non-completion of a business combination. This could result in less target companies being willing to participate in business combinations due to the higher uncertainty and failure rates of completion.

3.3 Several respondents who disagreed with the proposal highlighted the U.S.' past experience and the evolution of market practices which led to the change in U.S. regulations to de-link Redemption Rights from shareholders' voting decisions. Prior to 2010, Redemption Rights were linked with shareholders' voting decisions for U.S. SPACs, and sponsors experienced instances where they were subjected to "greenmail" by sophisticated investors who withheld their votes to the business combination in order to negotiate a better private deal with the sponsors. Such practices exposed the SPAC to the risk of shareholder groups pressuring the SPAC by refusing to vote in favour of the business combination and increased the risk of a SPAC failing to complete a business combination. Consequently, the U.S. made regulatory changes to decouple Redemption Rights from shareholders' voting decisions to prevent investors from blocking a business combination, not because they necessarily disapprove the merits of the business combination but because they wish to use their voting powers to their own advantage. The regulatory change was considered to be a

key factor[27] that led to the significant increase in completion of business combination transactions by U.S. SPACs from end-2012.

3.4 Some respondents who disagreed with the proposal noted that investors of a SPAC at its listing would primarily comprise short-term investors such as hedge funds, due to the nature of their investment strategies and goals, and the inherent nature of SPAC listings. These respondents pointed to the fundamental difference in investor base profiles at the point of listing *vis-a-vis* at the de-SPAC stage and that was necessary to cater for the profile of incoming and outgoing investors at the different stages. From the short-term investors' perspectives, it is important to provide the decoupling of Redemption Rights from voting decisions for the flexibility to determine how they want to ensure downside protection of their investment, which is dependent on the market's reception of the proposed business combination and their analysis on the returns for remaining invested in the resulting issuer or to sell off the shares rather than to elect for the exercise of Redemption Rights. The inflexibility by linking Redemption Rights with voting decisions would impact the investor base traction at IPO.

3.5 Two respondents suggested the removal of Redemption Rights as independent shareholders can exit via disposal on the secondary market, and such approach would be consistent with the existing practices for listed issuers on SGX where shareholders who disagreed with the decisions of the management of listed companies could dispose of their shareholdings through SGX-ST. Removal of the Redemption Rights simplifies the SPACs Framework, mitigates excessive dilution risks to the remaining shareholders of the resulting issuer and reduces the risk of non-completion of the business combination due to insufficient cash in the SPAC, arising from high redemption rates at the vote of the business combination.

3.6 A few respondents said that it would be onerous for shareholders who did not vote on the business combination to be disallowed from exercising their Redemption Right.

3.7 A few respondents raised their concerns on the current rules of the Singapore Code on Take-overs and Mergers (the "**Take-over Code**"), and whether there would be an automatic exemption or a waiver granted for instances where obligations under the Take-over Code arise pursuant to the exercise of Redemption Right by the independent shareholders of the SPAC or issuance of consideration shares to vendors of the target company for the business combination transaction. One of these respondents was of the view that it will not be necessary to pass a whitewash resolution nor appoint an independent financial adviser for such resolution given that the business combination would be put to a shareholders' vote. A waiver from the Take-over Code is critical due to timing considerations arising from having to obtain a separate approval from the Securities Industry Council, and should be granted on the basis that the SPAC has no business operations and is necessarily undertaking a business combination to acquire an operating business.

Question 11(b)

3.8 A majority of the respondents disagreed with the alternative proposal of requiring the SPAC to establish a limit on the exercise of Redemption Rights by independent shareholders.

3.9 Some of the dissenting respondents were of the view that imposing a limit on the exercise of Redemption Rights by independent shareholders who voted for the business combination will not be dissimilar from the reasons cited for the proposal set out in Question 11(a), and will ultimately reduce the competitiveness of SGX as a listing venue for SPACs as dilution risk is an inherent feature of a SPAC. Some respondents highlighted that dilution risks is an inherent feature of investing in

[27] *Fidelity, SPACs Explained (12 February 2021), retrieved online from: https://www.envestnetinstitute.com/article/spacs-explained; and CFA Society Chicago, SPAC Investing – A Deeper Look at Blank Check Companies (12 January 2021), retrieved online from: https://www.cfachicago.org/blog/spac-investing/.*

SPACs, and establishing a limit on the exercise of Redemption Rights would curtail the economic rights and optionality of SPAC investors, which while offering them protection against dilution risks, may not necessarily be a favoured trade-off to all SPAC investors. Two respondents highlighted practices in the U.S. and Toronto where there are contractually agreed limits on a shareholder and its concert parties' exercise of Redemption Rights, for example, 15% of the outstanding SPAC shares and were of the view that SGX's regulations should not be overly prescriptive and should allow the market to naturally develop structures to address dilution concerns.

3.10 A few respondents who were supportive of the proposal were primarily of the view that imposing a limit is necessary to suitably address the dilution risk caused by the exercise of Redemption Rights. One respondent was of the view that the redemption limit should not be more than 50%, while another respondent felt that the redemption limit is appropriate for independent shareholders who voted for the business combination as they are unlikely to exercise their Redemption Rights and hence serves to enhance overall investor confidence.

3.11 A few respondents pointed out that higher redemption rates resulting in requirement for additional financing, and thereby resulting in greater dilution, is not typical for SPACs. The market would conduct a "self-check" where the redemption gap caused to the cash levels of the SPAC would typically be covered by the PIPE investors who would typically invest at a price similar to the IPO price to replace an independent shareholder who had redeemed. Hence, a high redemption level does not necessarily cause incremental dilution.

3.12 Other suggestions proposed to increase investor protection against high redemption rates include:

(i) To ensure a quality and experienced sponsor to pre-empt against such risk through motivation consummate a business combination with a quality target company.

(ii) To impose a minimum cash balance requirement as a condition precedent to completion of a business combination.

Question 11(c)

3.13 Most respondents agreed with allowing pre-IPO investors to participate in liquidation distribution in respect of shares acquired by them prior to the SPAC's IPO and their primary reasons include: (i) consistency with the position taken by the U.S. exchanges and TSX where there are no restrictions for pre-IPO investors, aside from the sponsor and Related Parties, to participate in liquidation distributions; and (ii) pre-IPO investors bear the risk of making an early investment into the SPAC and are subjected to moratorium requirements, hence should be similarly afforded the right to liquidation distribution since they are not the founding shareholders, the management team nor their respective associates. Some of these respondents were of the view that pre-IPO investors should be allowed to participate in liquidation distribution if they acquired the shares at the same IPO issue price as other shareholders.

3.14 One supportive respondent pointed out that by allowing the participation of pre-IPO investors in the liquidation distribution process, independent shareholders may face dilution of their interests. This could be mitigated through a pre-IPO subscription price floor to safeguard against the risk of dilution to other independent shareholders.

3.15 A few respondents disagreed with pre-IPO investors' participation in liquidation distribution as they were of the view that pre-IPO investors should be treated the same as sponsors (who are required to waive their rights to liquidation distribution and not granted redemption rights) and may have acquired the SPAC's shares at a discount to the IPO issue price. Others who disagreed did not think it was necessary to regulate on this aspect given that, based on market practice in U.S., it is unusual and unlikely for there to be any pre-IPO investors for a SPAC listing.

SGX's Response

Questions 11(a) and 11(b)

3.16 We have carefully considered the feedback, in particular the U.S. experience which resulted in regulatory changes to delink the Redemption Right from shareholders' voting decisions on the business combination, and allow all independent shareholders to exercise their Redemption Rights (including independent shareholders who did not vote on the business combination). Consistent with our observation on the background which motivated the U.S. regulatory change in this aspect[28], we have decided to adopt a market-familiar approach. Our position is further supported by the UK FCA Policy Statement, where they opined that the redemption option, amongst other safeguards, was an important investor protection mechanism.

3.17 The initial position in the Consultation to link Redemption Rights to independent shareholders' voting on the business combination was proposed as we were of the view that it would be reasonable for shareholders to stand by their voting decisions, and to primarily address dilutive concerns stemming from the high redemption rates observed in the U.S. However, having considered the market mechanics pointed out by respondents that high redemption level is unlikely to contribute to incremental dilution due to market practice for PIPE financing to be in place to replenish the cash levels of the SPAC caused by redemption, we are cognisant that the high redemption rates is not a key source of dilution and that the initial proposal may not serve our primary intended purpose to mitigate the dilution concerns. Accordingly, we agree with the feedback that it is not necessary to implement the proposed measures to limit redemption rates at this point in time. SGX RegCo will closely monitor the developments on this front and introduce targeted measures where necessary.

3.18 As mentioned above and in line with majority of respondents who disagreed with the alternative proposal to impose a limit on the exercise of Redemption Right, we will not implement measures targeted at mitigating redemption levels, and will instead afford flexibility to the market to commercially determine the appropriateness of establishing a redemption limit for a SPAC. In this regard, we note the practices in the U.S. and Toronto highlighted by respondents where there are contractually agreed limits on a shareholder and its concert parties' exercise of Redemption Rights[29]. Consistent with the requirement in the U.S., we have decided to make amendments to allow SPACs to implement a floor to any redemption limit on independent shareholders, their associates or persons acting jointly or in concert persons. Any such limit set by a SPAC must not be lower than 10% of the shares issued at IPO and disclosed in the IPO prospectus, and must apply equally to all independent shareholders entitled to a Redemption Right.

3.19 We disagree with respondents' suggestion to abolish the concept of Redemption Right as this is a typical and fundamental feature in a SPACs Framework which is afforded to safeguard the interests of shareholders who invested in the SPAC prior to the completion of a business combination.

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[28] *Securities and Exchange Commission, Order Approving Proposed Rule Change to Amend IM-5101-2 to Provide Special Purpose Acquisition Companies the Option to Hold a Tender Offer in Lieu of Shareholder Vote on a Proposed Acquisition and Other Changes to the SPAC Listing Standards (23 December 2010), retrieved online from: https://www.sec.gov/rules/sro/nasdaq/2010/34-63607.pdf.*

[29] Section 119(d) of NYSE American Company Guide states that a SPAC may establish a limit (set no lower than 10% of the shares sold in the IPO) as to the maximum number of shares with respect to which any shareholder, together with any affiliate of such shareholder or any person with whom such shareholder is acting as a "group" may exercise such conversion rights.
Section 102.06 of NYSE Listed Company Manual states that it will be permissible for a SPAC to establish a limit (set no lower than 10% of the shares sold in the IPO) as to the maximum number of shares with respect to which any public shareholder, together with any affiliate of such shareholder or any person with whom such shareholder is acting as a "group" may exercise conversion rights.
Section 1008(a)(ii) of Part X of TSX Company Manual states that the SPAC may establish a limit as to the maximum number of shares with respect to which a shareholder, together with any affiliates or persons acting jointly or in concert, may exercise a redemption right, provided that such limit (i) may not be set at lower than 15% of the shares sold in the IPO; and (ii) is disclosed in the IPO prospectus. For greater certainty, any redemption limit established by a SPAC must apply equally to all shareholders entitled to a redemption right.

Pursuant to our engagement with market professionals, we recognise that the SPAC shareholders at IPO (mainly consisting of sophisticated and accredited investors) expect such fundamental feature to be present, and the removal of such feature may significantly alter the profile of the investor base of SPACs and take off of SPAC listings in Singapore, with limited participation by this critical segment of investors.

3.20 As with all other listed corporations, the Take-over Code would apply to a SPAC. How the Take-over Code would apply in respect of a business combination to acquire an operating business would depend on how the business combination is structured. Parties should consult the Securities Industry Council early to ensure that the contemplated business combination complies with the Take-over Code.

Question 11(c)

3.21 We note that the majority supports allowing pre-IPO investors to participate in the liquidation distribution in respect of shares acquired by them prior to the SPAC's IPO. This position is consistent with the practices in the U.S. exchanges and TSX.

3.22 Notwithstanding that some respondents were against pre-IPO investors' participation in the liquidation distribution for reasons such as having possibly acquired the shares at a discount to the IPO issue price and that independent shareholders may face dilution to their liquidation entitlement arising from pre-IPO investors' participation in the liquidation distribution, we recognise that pre-IPO investors (who are not the founding shareholders, the management team nor their respective associates) bear the risk of making an early investment into the SPAC (including the additional risks that the IPO would not proceed) and are subjected to moratorium requirements until the completion of the business combination. Further, we note some respondents' feedback that it is unlikely for pre-IPO investors to participate prior to IPO given that SPAC IPOs are typically initially financed by the sponsor and have not observed similar concerns on this aspect in the U.S.. Accordingly, we do not intend to restrict the pre-IPO investors from participating in the liquidation distribution nor prescribe a pre-IPO subscription price floor at this point in time. We will closely monitor the developments on this aspect and introduce targeted measures where necessary.

3.23 For the avoidance of doubt, we wish to clarify that notwithstanding the moratorium requirements imposed on pre-IPO investors, they are entitled to exercise their redemption rights in relation to their shareholdings at the vote of the business combination.

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 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.

Comments Received

3.24 While the respondents were generally not supportive of the two proposed options, there were less objections to Option 2. The primary reasons cited for disagreeing with both options were:

(i) Dilution risk is inherent in a SPAC as the resulting issuer is expected to be a multiple (typically between 3 to 8 times) of the size of the SPAC IPO. Accordingly, focus should be on educating retail investors about the risk and ensuring adequate disclosures in this aspect rather than curtailing the economic attractiveness of a SPAC investment. It is unnecessary to legislate this aspect as the market should be left to self-regulate. Market expectations, competitive dynamics and investors' preferences will determine the accepted level of dilutions.

(ii) Resulting dilution effect is factored into business combination negotiations, in particular by the target company which has aligned interests with the other SPAC investors in this aspect and commonly observed measures adopted included the forfeiture of a portion of the sponsor's promote or sponsor's warrants, increasing vesting or performance earn-out periods for sponsor promote etc. Accordingly, the target company would serve as another check on the concern regarding the overall dilution impact to shareholders.

(iii) In the case of U.S. SPACs, the primary investors in SPACs at IPO typically comprise of hedge fund investors as the warrants are attractive to these investors, while institutional investors will typically come in at the PIPE financing stage. Removal of the potential upside which the typical initial SPAC IPO investor base look for in the warrants will limit the pool of investors as hedge funds are therefore unlikely to participate.

(iv) The detachability of warrants, along with the de-linking of Redemption Rights from voting decisions, is fundamentally important. Removal of such features impacts the typical SPAC IPO investor base, reduces the attractiveness of the SPACs Framework to potential sponsors and business combination targets, and affects how a SPAC should operate. In addition, the non-detachability of warrants has unintended effect on shareholders who might otherwise vote against the business combination in order not to give up the warrants.

(v) The proposed options are not in line with market norms and impedes the commercial viability of SPACs as the attractiveness of a SPAC listing on SGX is reduced from the perspective of the primary investors in SPAC IPOs due to the lack of commercial value to invest. The U.S. model should be followed as closely as possible and other safeguards such as to align the sponsor's interests are preferred.

3.25 The key reason provided by the respondents who disagreed with Option 1 is that detachability of warrants is a fundamental feature of a SPAC that would serve to be the point of attraction for investors. Warrants are issued to compensate to a SPAC's IPO investors for the opportunity costs of having their respective invested funds escrowed for up to 36 months and should not be equated with "free-riding". Without this feature, it would be unlikely that typical SPAC IPO investors would participate in SPAC listings on SGX due to the inflexibility and limited investment upsides, as compared to other active SPAC markets such as the U.S. Some respondents highlighted that as the exercise price of warrants issued as part of a SPAC unit is typically set above the IPO offer price of the SPAC, warrants will be exercised when the share price of the resulting issuer performs well (i.e.

the exercise price is exceeded by the resulting issuer's active trading price[30]).

3.26 A number of respondents were supportive of Option 1 for two main reasons, other than to mitigate dilution concerns arising from the exercise of warrants. Some were of the view that the shareholders of a SPAC who voted against its business combination should not be allowed to enjoy the potential upside rewards from the warrants, while others said that this would strengthen the alignment of interests of the independent shareholders with the long-term interest of the SPAC.

3.27 A number of respondents who were against Option 2 expressed reservations on whether the proposal would be meaningful in addressing dilution concerns and cited the difficulty in implementing a maximum percentage cap on the resultant dilutive impact to shareholders arising specifically from warrants subsequent to a business combination. The difficulty in setting a specific quantum arises from the multitude of variable factors that could influence the economics of a SPAC, including (i) market performance; (ii) negotiations with key parties at de-SPAC including the PIPE investors and owners of the target company; and (iii) redemption behaviour of investors at de-SPAC. One respondent was of the view that imposing a maximum dilution threshold may impact the flexibility of the SPAC to identify target businesses or assets, which are typically a multiple of the size of the SPAC IPO.

3.28 Some respondents provided alternative suggestions for Option 2 such as (i) requiring net share settlement of warrants as opposed to cash settlement (which would result in a reduction of the actual number of shares delivered and the dilutive impact upon the exercise); (ii) imposing a cap on the number of warrants that can be issued by a SPAC at IPO; (iii) imposing a cap on the upside of warrants; (iv) prohibiting the issuance of warrants; (v) requiring dissenting shareholders who has sought for redemption of the shares to keep less than half of their warrants; and (vi) requiring additional warrants or warrants of redeeming shareholders, to be issued to surviving shareholders of the SPAC, who voted for the business combination.

3.29 A few respondents highlighted that the U.S. Securities Exchange Commission ("**U.S. SEC**") had in April 2021 announced accounting considerations for warrants issued by SPACs in relation to the potential accounting implications of certain terms that may be common in warrants included in SPAC transactions (i.e. classification of warrants as liabilities for financial statement purposes rather than as equity). Clarification was sought on SGX RegCo's consideration on this matter.

SGX's Response

3.30 Our initial proposal for Option 1 in the Consultation was ideally intended to address the dilutive impact to shareholders remaining with the resulting issuer arising from warrants conversion. However, based on the market feedback and our extensive engagement with market participants, we note the underlying rationale and market mechanics in adopting a detachable warrants feature which primarily serves as a risk premium that SPAC IPO investors require in return for investing in the SPAC for up to 36 months.

3.31 We note the majority of respondents were not supportive of both options. Having carefully considered the feedback, we recognise and acknowledge that the detachability of warrants remains fundamental to the dynamics of investors' considerations in a SPAC investment and is an inherent feature that ultimately gives the SPACs Framework its commercial attractiveness. In the absence of the detachability, it may be unlikely for investors to be attracted to participate in SPAC IPOs on SGX given the restriction on detachability and consequently limited investment upside from subsequent exercise of warrants. To balance investors' commercial expectations *vis-à-vis* regulatory considerations on dilutive impact of the warrants, we are of the view that requirements on the

[30] The market practice in the U.S. is for the exercise price of a warrant to be US$11.50, which is higher than the initial IPO price of US$10.00.

alignment of sponsor's interests with that of other SPAC investors should be further strengthened. This includes requirements pertaining to the specified cap on the sponsor's promote as set out in paragraph 4.17, the enhanced moratorium requirements post-completion of the business combination for BC Key persons in paragraph 2.150 and the heightened minimum equity participation required from the sponsor and/or the management team at the SPAC's listing in paragraph 2.136. Accordingly, we will make amendments to be consistent with the U.S. practice to permit the detachability of warrants.

3.32 Notwithstanding the lack of support for the two proposed options amongst the respondents, we will proceed to adopt Option 2 to encourage sponsors to exercise discipline in respect of warrants issuance while retaining the detachability feature of warrants which would have more fundamental impact to the commercial attractiveness of a SPAC structure. We will require the SPAC to specify the adopted maximum percentage cap (including bases) on the resultant dilutive impact to shareholders subsequent to business combination arising specifically from the conversion of issued warrants (or other convertible securities) by the SPAC at IPO. Such limit, together with the dilutive effect to shareholders, must be disclosed in the IPO prospectus and the shareholders' circular for business combination. To further ensure that the sponsor exercises meaningful discretion in establishing the appropriate maximum percentage cap, we will additionally stipulate that the permitted limit set by the SPAC must be no more than 50% in respect of the maximum dilution to the SPAC's post-invitation issued share capital (including the sponsor's promote) with respect to the conversion of warrants issued by the SPAC in connection with the IPO. The maximum percentage threshold takes into consideration the typical warrant ratio based on our observations of the practices in the U.S.[31]. While we recognise that the proposed warrant ratio depends on the overall commercial structuring of a SPAC by the sponsor, we believe that stipulating a maximum cap on warrants dilution will play a part in ensuring the quality of the sponsor, as market discipline will play a role of check and balance in ensuring that the maximum percentage limit of dilution with respect to conversion of warrants is appropriate and acceptable to the market, in particular such terms will come under the scrutiny of institutional and sophisticated investors at the SPAC's IPO. Nevertheless, given the nascent stages of the implementation of the SPACs Framework, we will closely observe the local developments and are prepared to consider a waiver on a case by case basis of the 50% dilution cap requirement where the SPAC can demonstrate sufficient bases.

3.33 With respect to the alternatives suggested by the respondents, we disagree with the prohibition of warrants for the reasons stated above given warrants are featured prominently as part of SPACs IPOs in the U.S., and are of the view that there are many possible measures that can be adopted to mitigate the dilutive effects arising from warrants. Given the multitude of operational methods that can be adopted by a SPAC, at its discretion, to achieve the objective of keeping within the maximum dilutive percentage cap, we do not intend to be overly prescriptive by specifying or limiting the operational methods to be adopted by the SPAC, and will afford flexibility to the SPAC to structure and adopt the necessary measures.

3.34 We agree with feedback that adequate disclosures must be provided to investors and investor education is paramount when introducing the SPACs Framework to the Singapore market. In this regard, we are working with SIAS and other informative outlets on investors' education programmes and information materials.

3.35 With respect to respondents' comment on the accounting treatment of warrants, we are working with the Institute of Singapore Chartered Accountants and industry professionals on the accounting considerations, and will closely monitor the developments in the U.S. including U.S. SEC's guidance on this aspect.

[31] *Chartered Alternative Investment Analyst, To SPAC or Not to SPAC, 14 April 2021, retrieved online from: https://caia.org/blog/2021/04/14/to-spac-or-not-to-spac.*

3.36 Additionally, we note that certain SPACs in the U.S. have issued rights to (i) SPAC shareholders at its listing as part of the SPAC's unit; or (ii) the sponsor and/or PIPE investors post-listing but prior to the completion of a business combination, and such rights are convertible to a fraction of a SPAC's share (for example one-tenth of a SPAC's share) automatically at no consideration upon consummation of the business combination (the "**Rights**"). For the avoidance of doubt, such Rights which are convertible to the SPAC's shares are classified as convertible securities, and hence requirements which apply to warrants and other convertible securities under Mainboard Rule 210(11)(j) will similarly be applicable, including the requirement to have a conversion price that is no lower than the price of the ordinary shares offered for the SPAC's IPO.

4 Other Investor Protection Safeguards

Question 13: Event of Material Change [32] Occurring Prior to Completion of Business Combination

(a) Do you agree with the requirement for the SPAC to put in place a Liquidation Mechanism[33] 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.

Comments Received

4.1 Most of the respondents agreed with the requirement for the SPAC to put in place a Liquidation Mechanism in the Event of Material Change occurs prior to the business combination to safeguard independent shareholders' interests as independent shareholders primarily invest in the SPAC based on the profile of the sponsor and the management team. This ensures that independent shareholders have a say in the continuation of the SPAC upon occurrence of critical changes that are fundamental to the operations of the SPAC and/or the completion of the business combination. Some of these respondents also expressed that this requirement further protects investors by ensuring an orderly winding-up process of the SPAC and provides investors a greater degree of visibility on the return of their invested capital.

4.2 A few respondents disagreed with the proposal for reasons including:

(i) Such mechanism introduces uncertainty and subjectivity to the SPACs Framework, and that such investment risks should have been taken into consideration by the investors when investing in a SPAC.

(ii) It is unnecessary to introduce such requirement as investors are adequately protected with exit alternatives which they can choose to (a) exit from their SPAC investment by selling their shareholdings in the SPAC on the secondary market; (b) exercise their redemption right at

[32] "Event of Material Change" refers to the event where 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.

[33] "Liquidation Mechanism" refers to a liquidation event, which is triggered by the Event of Material Change, 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 commission accrued in the escrow account) will be returned to shareholders on a pro rata basis as soon as practicable, as permissible by the relevant laws and regulations.

the point of business combination vote; or (c) receive investment returns upon liquidation of the SPAC when it fails to complete a business combination within the permitted time frame.

(iii) Other exchanges that permit the listing of SPACs do not have a similar requirement and such requirement could disincentivise sponsors from listing SPACs on SGX.

4.3 One respondent commented that given the subjective nature of what could constitute an Event of Material Change, guidance should be provided in the rules by SGX RegCo as to what is / is not likely to be considered as an Event of Material Change. For example, the respondent was of the view that a change in the Chief Financial Officer or a change in the Chief Investment Officer where a concurrent suitable replacement has been announced should not constitute an Event of Material Change.

4.4 Other events suggested by the respondents that should constitute an Event of Material Change include:

(i) A change in any information that has been used as the basis of investment into the SPAC's IPO.

(ii) A change in the target industry for business combination.

(iii) An external event that has a material adverse impact on the business or investment prospects of the industry or geography targeted by the SPAC. For example, a material adverse change in the regulations or laws governing the target industry.

(iv) An event that fundamentally and adversely affects the suitability-to-list of the SPAC.

(v) A material change in the financial standing (including bankruptcy etc.) of the sponsor or key members of the SPAC.

(vi) The sponsor's inability to perform its duties due to death or incapacitation.

(vii) Any material misstatement in the SPAC's IPO prospectus.

SGX's Response

4.5 We acknowledge that the subjective nature of what could constitute an Event of Material Change and the uncertainty introduced to the SPAC when the Liquidation Mechanism is triggered for the SPAC to continue its listing on SGX-ST. In view of the fundamental reliance by investors on the profile of the sponsor and/or the management team as a primary basis of their investment in the SPAC, we nonetheless believe that independent shareholders' interests are better safeguarded in ensuring that they have a say in continued listing of the SPAC in the event of concerns arising from a critical material change to the SPAC. We agree with the feedback that greater certainty on the returns of investors' investments under a material adverse change in circumstance and by virtue of requiring a high threshold of special resolution to be passed by independent shareholders in the event the Liquidation Mechanism is triggered, the liquidation of a SPAC is not as likely unless a special majority of independent shareholders have material concerns on the adverse situational change in the SPAC. We have retained the requirement for the special resolution to be passed by independent shareholders as compared to the other matters such as the business combination vote (set out in paragraph 2.168), an extension of time for the SPAC to complete a business combination (set out in paragraph 2.82), and for a draw-down of funds in escrow under exceptional circumstances (set out in paragraph 2.103), considering that such Event of Material Change would have been directly caused by the founding shareholders and/or the management team. As such, it

would not be appropriate to allow these persons to participate in the voting process for an Event of Material Change.

4.6 Notwithstanding the subjective nature as to what could constitute an Event of Material Change, the introduction of an elaborate guidance may not be meaningful in view that any examples will be non-exhaustive and would vary based on the circumstances and peculiarities of each SPAC. Some examples have been provided in paragraph 5 of Practice Note 6.4 and for clarity, an Event of Material Change is subject to a materiality threshold where such change to the profile of the founding shareholders and/or the management team should be critical to the successful founding of the SPAC and/or successful completion of a business combination. The board of the SPAC will be responsible in deliberating whether a material change constitutes an Event of Material Change, and SGX RegCo will retain the discretion to determine whether an Event of Material Change has occurred and encourage issuers to consult and clarify with SGX RegCo in the event of uncertainty.

4.7 We have considered the events suggested by respondents that could constitute an Event of Material Change but will not be incorporating the suggestions as part of an elaborate guidance for reasons mentioned above. In response to the suggestions, we wish to highlight that a material adverse change in the financial standing of the sponsor and/or the management team such as bankruptcy may be determined as an Event of Material Change.

4.8 We are of the view that the current threshold of a special resolution is a sufficiently high threshold that will not be easily met without the support of substantial majority of independent shareholders, whether in number or in value. The approach on the approval threshold is consistent with a delisting resolution threshold for existing listed issuers. We do not believe it is necessary to introduce a twin-voting criteria nor afford the SPAC the discretion to commercially determine an appropriate approval threshold.

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.

Comments Received

4.9 An overwhelming majority of the respondents agreed with the proposal to not impose a limit on the sponsor's promote. The respondents were primarily of the view that a sponsor's promote is a commercially negotiated feature that should not be regulated, but left to market disclosure and acceptance. Any SPAC which deviates from established market practice will be subjected to the test of the market and scrutiny of investors during the SPAC's IPO, as well as the target company of the business combination. Based on the U.S. market practice, market forces will determine the appropriate level of the sponsor's promote, including the resulting quantum as the sponsor's promote is usually adjusted upon re-negotiation with the target company for the business combination due to the target company's concern on dilution, which is aligned with the interests of the independent shareholders. The re-negotiation with the target company could result in certain modifications such as the imposition of vesting or performance earn-out periods on the sponsor's promote.

4.10 Many of the respondents who agreed were of the view that the proposal is not necessary based on the sufficiency of the other proposals that are being implemented to alignment of sponsor's interests with that of other independent SPACs shareholders, including (i) the MEP and moratorium requirements; and (ii) the voting restriction on the sponsor and Related Persons for the business combination.

4.11 Respondents who were supportive of imposing a limit on the sponsor's promote were of the view that it would be prudent to do so, considering that the sponsor's promote incentivises the sponsor to make decisions that benefit them at the expense of independent shareholders. With respect to the limit that ought to be imposed, these respondents suggested a limit in the range of 15% and 25%, with 20% being the most common suggestion given that this is in line with the market practice in the U.S.

4.12 Some respondents have suggested the sponsor's promote to be pegged to a longer term measure of the independent shareholders' return subsequent to the business combination, such as a longer vesting period or a performance earn-out period.

4.13 An alternative suggestion provided by a respondent was to permit the sponsor's promote to be in a combination of warrants and shares, with the warrants structured to be partly paid out when the business combination is approved and the remainder to be subject to value creation in the resulting issuer. This approach will ensure that the sponsor's compensation is dependent on the long-term success of the resulting issuer thereby strengthening the alignment of interest between the sponsor and other shareholders.

SGX's Response

4.14 While we acknowledge an overwhelming majority respondents agreed with the proposal to not impose a limit on the sponsor's promote, we note that many of the respondents within this majority cited sufficiency of existing safeguards (including the voting restriction on the sponsor and Related Persons for the business combination) as their primary reason for agreeing not to impose a limit on the sponsor's promote.

4.15 Having taken a holistic view of the finalised requirements under the SPACs Framework, including but not limited to the following refinements: (i) the founding shareholders, the management team and their associates are permitted to vote on the business combination (excluding voting based on the sponsor's promote holdings and subject to Chapter 9 of the Mainboard Rules); (ii) the decoupling of Redemption Rights and shareholders' voting decisions; and (iii) the detachability of warrants from the underlying ordinary shares of the SPAC, we are of the view that the respondents may therefore have a different position on the matter, and have decided that a better balance could be struck in strengthening the alignment of sponsor's interests via the sponsor's promote.

4.16 We believe that imposing a limit on the sponsor's promote will (i) reinforce the alignment of interests between the sponsor and the independent shareholders as the sponsor's promote is typically an incentive tied to business combination rather than the long-term success of the resulting issuer; and (ii) mitigate the potential dilutive impact to shareholders of the SPAC who remain with the resulting issuer as the sponsor's promote is one of the key SPAC features that materially contributes to dilution.

4.17 Based on market research[34] and the market feedback, we note that a sponsor will typically acquire a promote of approximately 20% of the SPAC's IPO issued share capital. Accordingly, we will make amendments, to be consistent with the market practice in the U.S., by imposing a sponsor's

[34] *Skadden, Arps, Slate, Meagher & Flom LLP, The Year of the SPAC (26 Jan 2021), retrieved online from: https://www.skadden.com/insights/publications/2021/01/2021-insights/corporate/the-year-of-the-spac.*

promote limit of up to 20% of the SPAC's total issued shares at its listing. Such limit would take into consideration the sponsor's promote in the form of warrants and/or other convertible securities. SGX RegCo will retain discretion in considering the appropriateness of the sponsor's promote, while taking into account the overall structure of the SPAC.

4.18 With respect to the various suggestions made by some of the respondents, we do not intend to be overly prescriptive and are of the view that a cap on the sponsor's promote is sufficient and will afford flexibility to the market to (i) self-regulate on the appropriate quantum and form of sponsor's promote at the IPO stage; and (ii) innovate the appropriate operational conditions to vary the sponsor's promote at the de-SPAC stage, depending on the circumstances of a SPAC including the profiles of the sponsor and target company as well as commercial negotiations at that juncture.

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.

Comments Received

Questions 15(a) and (b)

4.19 Most of the respondents agreed with imposing a requirement for the resulting issuer, upon the completion of the business combination, to meet the initial listing requirements (both quantitative and qualitative) set out in the Mainboard Rules. These respondents were of the view that (i) this proposal is consistent with other exchanges in the U.S. and Toronto; and (ii) would ensure that there is an even playing field between issuers which list on the Mainboard via a business combination with a SPAC and those that list via traditional IPO, preventing any potential regulatory arbitrage by ensuring that the quality of the resulting issuer minimally meets the same initial listing requirements that applies to issuers that list via traditional IPO.

4.20 On the other hand, some respondents disagreed with the proposal for reasons including:

(i) The resulting issuer is typically an early / high growth stage company which might not be able to meet some of the initial listing requirements, such as the profitability tests, the requirement to have positive operating cash flow in demonstrating a healthy financial position and the requirement for operating revenue. There is a significant pool of companies in Southeast Asia that are in a high growth stage and have a clear and structured path to operating cash profitability. Such companies will benefit from being listed, and need not be prohibited from listing because they do not have positive operating cash flow at the time of the listing.

(ii) Such requirement defeats one of the key attractions of a business combination through the SPAC route, in particular a faster time to market for target companies to be listed as compared to a traditional IPO.

(iii) The resulting issuer should only be required to comply with the qualitative listing requirements upon completion of business combination as the SPAC had initially listed with a minimum of $300 market capitalisation requirement and the business combination is required to be at a fair market value of at least 80% of the escrowed funds. The requirement for the resulting issuer to satisfy the quantitative criteria may reduce the number of potential target companies for the subsequent business combination.

(iv) It is sufficient for the shareholders' circular for the business combination to contain all material disclosures necessary in compliance with the Fifth Schedule of the SFR and the relevant key persons including the directors of the SPAC and resulting issuer takes responsibility for the contents in the shareholders' circular.

4.21 A few of the respondents suggested affording the resulting issuer with some flexibility to seek waivers or cure periods if they are unable to meet the initial listing requirements (such as the minimum of 500 public shareholders requirement) due to exceptional circumstances.

Questions 15(c) and (d)

4.22 A majority of the respondents were supportive of the appointment of a financial adviser by the SPAC to advise on the business combination transaction. The primary reason for their approval of such appointment is due to its consistency with the SGX listing practices. Some respondents were of the view that the appointment of a financial adviser (which is an accredited issue manager) will provide a certain level of assurance on the quality of the resulting issuer, which acts as an additional safeguard for investors.

4.23 Some of these respondents commented that financial advisers should not have to make reference to the ABS Listings Due Diligence Guidelines during for their conduct of due diligence and reasons cited include:

(i) The business combination should be viewed as a post-listing merger and acquisition transaction as opposed to a listing.

(ii) The ABS Listings Due Diligence Guidelines is a framework to assist issue managers in ensuring issuers' compliance with SFA prospectus disclosure requirements and establishing a due diligence defence against applicable criminal and civil liabilities. It is not in line with the financial adviser's responsibilities and scope of duties under current listing practices, and is overly burdensome, time consuming and costly to reference ABS Listings Due Diligence Guidelines.

(iii) The financial adviser should be sufficiently qualified and licensed to conduct the necessary transactional due diligence.

However, there were other respondents who agreed that it is reasonable for the financial adviser to take guidance from the ABS Listings Due Diligence Guidelines to maintain parity and rigor of due diligence between companies which are listed through a SPAC business combination and those through the traditional IPO process.

4.24 A few respondents disagreed with the appointment of a financial adviser for the business combination transaction for the following reasons:

(i) Consistent with the U.S. market practice, the decision to appoint a financial adviser should be at the SPAC's sole discretion, depending on the nature of the business combination transaction.

(ii) The appointment of a financial adviser can be encouraged as a best practice guidance instead.

(iii) The financial advisers advising on the business combination should not be limited to those who are accredited issue managers. As the type of target companies that SPACs may acquire may be engaged in highly specialised industries, there may be a need for more specialised financial advisory firms or at least joint financial advisers.

(iv) There is sufficient commercial tension between the sponsor, PIPE investors and the target company that will ensure that an appropriate valuation is achieved for the business combination. A financial advisor is not required unless the sponsor has an existing significant investment in the target business or asset to be acquired under the business combination.

4.25 In relation to the approval required for the appointment of financial adviser, most of the respondents were of the view that the financial adviser should be appointed by the board of the SPAC, and that an ordinary resolution passed by the independent shareholders on the appointment is not necessary. This approach is consistent with current listing practices for the board to be responsible for the appointment of professionals (e.g. lawyers, independent valuers) for major corporate actions (such as mergers and acquisitions, privatisation etc.), as the board owes fiduciary duties to act in the interests of the SPAC. Requiring independent shareholders' approval is impractical and causes unnecessary costs and delay to the SPAC business combination process.

4.26 One respondent noted that it will be in the interests of the directors to appoint an established and credible financial adviser as it will offer the board some protection against claims that the board did not act in the interests of shareholders with regard to the business combination. A supportive

respondent took a primary view that the financial advisers should be appointed by independent shareholders, but is willing to accept a compromise where independent shareholders is made aware of and can enquire on the due diligence done for the choice of the financial adviser and the independent directors to ensure that all relevant information on the business combination is provided to the financial adviser to conduct their review.

Question 15(e)

4.27 Majority of the respondents agreed that the SPAC's founding shareholders and directors, the proposed directors of the resulting issuer and the financial adviser should be required to provide a responsibility statement in the shareholders' circular for the disclosures on the business combination made therein. These respondents were of the view that such approach is generally consistent with current listing practices (such as those for IPOs, listings by introductions and RTOs), reasonably promotes the need for adequate due diligence and ensures that the key persons of the business combination transaction will be held accountable for the disclosures made in the shareholders' circular.

4.28 A number of respondents disagreed for reasons including:

(i) It is only reasonable for the key persons to be responsible for certain disclosures which they are in a position to undertake. For instance, directors of the SPAC who are not remaining on the resulting issuer should not be expected to take on responsibility for certain of the information maintained by the target company such as forward looking financials and/or statements, which should be the responsibility of the proposed directors of the resulting issuer instead. Accordingly, a distinction should be made between the key persons and appropriate carve-outs should be permitted.

(ii) The SPAC's founding shareholders should not be required to provide a responsibility statement as shareholders typically do not give a responsibility statement unless they are selling or offering their own shares.

(iii) This is inconsistent with the practice in U.S. where financial advisers are not required to provide a responsibility statement in the shareholders' circular. The proxy solicitation and registration statements are the responsibility of the SPAC rather than the financial advisers as they are not underwriters for the purpose of disclosure liability. International financial institutions may require a number of additional time consuming and costly processes if disclosure responsibility is imposed on them. Separately, there may be practical financial difficulties for financial advisers to comment on the entire business combination process as they may not be privy to the circumstances leading up to the business combination unlike the key parties of the SPAC.

4.29 One respondent suggested for the application of Mainboard Rule 113[35] in view that the financial

[35] Mainboard Rule 113 states that the requirement to have an issue manager ends once the issuer is admitted to listing, although it is recommended that the issuer retains the services of the issue manager for at least one year following its listing. Regardless of whether an issuer continues the sponsorship after listing, it must comply with the following disclosure requirements: (a) for two years after listing or such other time frame imposed by the Exchange, the issuer must prominently include a statement that the initial public offering of its shares was sponsored by [name of issue manager] in all announcements made by it (on SGXNET or otherwise) and in all information documents issued by it to shareholders; and (b) unless exceptional circumstances exist, "prominently" in Rule 113(2)(a) means in print no smaller than the main text of the announcement, and positioned on the front page of the announcement. However, the statement must not be drafted or positioned in such a way to imply that the issue manager endorses the current transaction (unless the issue manager is involved in the transaction). The sponsor is not required to be involved in all matters relating to the issuer's compliance with the listing rules. However, the Exchange encourages issuers to consider engaging their sponsors to assist them post listing.

adviser will be an accredited issue manager.

4.30 One respondent highlighted a recent area of focus by U.S. SEC[36] where SPACs rely on certain statutory safe harbour provisions for the target company's forward-looking statements (such as forecasts/projections) disclosed in the shareholders' circular equivalent document. A U.S. SEC representative has clarified, among others, that the safe harbour does not protect against false or misleading statements and does not prevent U.S. SEC from taking action to enforce federal securities laws as such safe harbour applies only in the case of private litigation. Further possibility has been raised that the U.S. SEC could revisit the scope of the safe harbour provisions to better address the realities of a de-SPAC transaction and the extent to which it serves, from an economic and practical perspective, and from the perspective of investors, as the true go public transaction of a private company. Given the practicalities of SPAC transactions, the U.S. SEC may need to consider the de-SPAC transaction the "real IPO" and focus the application of the federal securities laws more fully on that aspect of a SPAC life cycle.

SGX's Response

Questions 15(a) and (b)

4.31 We note the majority support to require the resulting issuer to meet the initial listing requirements upon the completion of the business combination and observe that this is consistent with the approach taken by the U.S. exchanges and TSX. Such approach (i) ensures 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; (ii) maintains the quality of the target company which eventually lists via the business combination; and (iii) promotes fair and orderly trading of the resulting issuer's shares upon the successful completion of a business combination.

4.32 In relation to respondents' comments raised in relation to the possibility that the resulting issuer may be unable to fulfil the profitability test, we wish to highlight that the resulting issuer may meet the alternative market capitalisation test set out under Mainboard Rule 210(2)(c) for which operating revenue is required. While typical early / high growth target companies may likely to be loss-making due to the current stage of its business lifecycle, we will expect such target companies to have at least generated some level of operating revenues. Although Mainboard Rule 210(4)(a) states that SGX RegCo will have regard to whether the resulting issuer has a positive cash flow from operating activities in its demonstration of being in healthy financial position, such consideration is not exclusive nor exhaustive. The resulting issuer may demonstrate its financial health through other considerations.

4.33 Specific waivers or cure periods are not contemplated at this point in time (save for that related to the minimum public shareholders requirement as mentioned in paragraph 2.38). We will monitor the developments of the SPAC activities upon the introduction of the SPACs Framework, and where there are specific difficulties for the resulting issuer to comply with the initial listing requirements, such as the minimum 500 public shareholders requirement of, financial advisers may consult SGX early on such matters.

4.34 Accordingly, based on the market feedback and our response above, we will implement the requirement for SPAC to meet the initial listing requirements under Chapter 2 of the Mainboard Rules.

[36] U.S. Securities and Exchange Commission, *SPACs, IPOs and Liability Risk under the Securities Laws (8 April 2021), retrieved online from: https://www.sec.gov/news/public-statement/spacs-ipos-liability-risk-under-securities-laws.*

Questions 15(c) and (d)

4.35 We are of the view that it is important to address the risks of potential regulatory arbitrage and the requirement for a SPAC to appoint a financial adviser (which is an accredited issue manager) ensures the conduct of professional due diligence on the business combination and better parity with the due diligence work conducted for a traditional IPO. The requisite appointment of a financial adviser is consistent with (i) the listing practices for VSAs and RTOs under the SGX regime; (ii) the recent U.S. SEC commentary which gives further affirmation that the business combination is viewed akin to an IPO of the private target company; and (iii) other requirements under the SPACs Framework including the resulting issuer to meet the initial listing requirements upon the completion of a business combination and for prospectus-level disclosures to be made in the shareholders' circular for the business combination. We remain of the view that it is reasonable to set out the explicit expectation that the appointed financial adviser should reference the ABS Listings Due Diligence Guidelines when conducting its due diligence and accredited issue managers, who are familiar with the traditional IPO process and standard of listing due diligence work, can appropriately provide market confidence and assurance on the quality of the resulting issuer. We wish to emphasise that SGX's focus for the SPACs framework remains at ensuring the quality of listings rather than on quantity.

4.36 We note majority respondents' agreement for the appointment of a financial adviser to be made by the board of the SPAC, instead of the independent shareholders and will retain the approach as with the current listing practices in appointing professionals for major corporate actions. In respect of the suggestion for shareholders to be made aware of the due diligence conducted on the choice of the financial adviser, we believe this will not be meaningful given that typical commercial considerations are involved in a board's decision on its choice of financial adviser. Concerns on the choice of financial adviser is mitigated in view that (i) financial advisers are required to be accredited issue managers; and (ii) responsibility statements are required to be provided by both the board and financial adviser in the shareholders' circular for the business combination. Shareholders may also enquire of the board of the due diligence undertaken at the time of the shareholders' meeting to vote on the business combination. We further note a suggestion to require independent directors to ensure all relevant information on the business combination are provided to the financial adviser to conduct their review and will communicate, as part of the collaborative efforts with SID mentioned in paragraphs 2.126 and 2.166, the expectations for independent directors to monitor the robustness of the business combination transaction.

4.37 In response to a respondent's clarification, there is no requirement for the financial adviser appointed for the SPAC's business combination to be the same as the issue manager of the SPAC IPO. This will be left to commercial negotiations, which is consistent with the market practice in the U.S.

Question 15(e)

4.38 We note that majority of the respondents agreed with the responsibility statement to be provided by the mentioned key persons and have carefully considered some respondents' concerns that financial advisors, the SPAC's directors and founding shareholders should not be held responsible for information that did not originate nor was maintained by them. In view that information disclosures made in the shareholders' circular for the business combination will vary from case to case, we are prepared to consider reasonable and appropriate carve-outs where necessary and for compelling reasons. We however wish to emphasise that it is the general responsibility for the SPAC's founding shareholders and directors, the proposed directors of the resulting issuer and the financial adviser to ensure full and true disclosures on the business combination made in the shareholders' circular and the need for adequate due diligence to be conducted in providing such disclosures. We remain of the view that the SPAC's founding shareholders should provide a responsibility statement, in particular, for information disclosures relating to them and the SPAC

including their influence and involvement. This is of fundamental importance given that investors have invested in the SPAC primarily due to the profile and involvement of the founding shareholders of the SPAC.

4.39 In relation to the suggestion for the application of Mainboard Rule 113, we have considered that it will be appropriate for the resulting issuer to include the relevant disclosures as required in Mainboard Rule 113(2) that the financial adviser was appointed for the business combination transaction. Accordingly, we will make the necessary amendments for Mainboard Rule 113(2) to apply, with the necessary adaptations.

4.40 We are aware of the U.S. SEC's recent area of focus on the applicability of safe harbour provisions for the target company's forward looking statements (including forecasts/projections) disclosed in the shareholders' circular equivalent document for the business combination. For clarity, we wish to highlight that the shareholders' circular for the business combination must comply with the prospectus disclosure requirements under the SFR (including the requirements pertaining to profit forecasts and/or projections). In addition, Mainboard Rule 754 requires the SPAC to comply with the Mainboard Rules in Chapters 7 to 13 post-listing. Any shareholders' circular disclosures of profit forecasts and/or projections of the target company and/or resulting issuer will have to fully comply with the statutory regulations and Mainboard Rules including:

(i) Paragraphs 13 to 17 of Part 6 of the Fifth Schedule of the SFR.

(ii) Mainboards Rule 1012 and 1013, including for the SPAC to include in its SGXNet announcement on the business combination, among others, (a) details of the principal assumptions (including commercial assumptions) upon which the forecast is based; (b) confirmation from the resulting issuer's auditors that they have reviewed the bases and assumptions, accounting policies and calculations for the forecast; and (c) a report from the financial adviser confirming that it is satisfied that the forecast has been stated after due and careful enquiry.

4.41 We will continue to closely monitor developments in the U.S. in this aspect, and implement refinements to the rules were appropriate.

5 Other Proposed Rules

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.

Comments Received

5.1 A number of respondents provided suggestions in relation to other proposed SPAC rules, one of which is with respect to proposed Mainboard Rule 210(11)(k)(iv) in Appendix 2 of the Consultation, SPACs should be permitted to adopt security-based compensation arrangements, subject to the existing safeguards set out in Chapter 8 of the Mainboard Rules. This provides the SPAC with greater flexibility in compensating its management team and directors prior to completion of a business combination while preserving the funds in the escrow account.

5.2 A few other respondents proposed suggestions and considerations on the overall framework, including the following:

(i) In relation to the board and management of the resulting issuer, the resulting issuer should be afforded commercial flexibility to retain the initial directors and management team of the SPAC and/or target company, subject to compliance with the board composition requirements under the Mainboard Rules and the CG Code. The SPAC can benefit from having the initial directors or management team of the SPAC and/or target company stay on as they would have a certain level of expertise and experience in the overseeing the overall strategic direction or the running of the target business, and there would be a continuity in leadership and management. Such flexibility will also be consistent with the market practice in the U.S. where the eventual board composition of the resulting issuer is commercially agreed between the SPAC and the target company.

(ii) Independent directors of the SPAC should automatically retire after the completion of the business combination transaction as this arrangement will remove the perception of independent directors losing some of their objectivity and effectiveness when they remain on the board post business combination.

In relation to the remaining responses received for Question 16, where appropriate, we have set out respondents' views and suggestions under the relevant sections in Questions 1 to 15.

SGX's Response

5.3 With respect to the suggestion to allow for the SPAC to adopt security-based compensation arrangements prior to the completion of a business combination, we note that this is not consistent with typical market practice in the U.S. and the regulatory requirements by TSX and Bursa[37]. In view that (i) it is market practice that the sponsor and management team are typically not remunerated prior to the completion of a business combination; (ii) the sponsor promote serves as a form of compensation; and (iii) the SPAC has no business operations until the completion of a business combination, we disagree with providing the flexibility for security-based compensation arrangements to be entered into between the SPAC and the sponsor and management team, and we will retain our position in this aspect.

5.4 We note the suggestion made on affording commercial flexibility to the SPAC and target company in establishing the board and management team composition of the resulting issuer and wish to highlight that such decisions will be left to commercial negotiations subject to SGX's assessment of the resulting issuer's compliance with the Mainboard initial listing admission criteria (including character and integrity requirements of controlling shareholders, directors and key executive officers) and the provisions under the CG Code. Where such independent directors are proposed to stay on pursuant to commercial negotiations between the SPAC and the target company, there does not appear to be compelling reasons for independent directors of the SPAC to automatically step down.

[37] Section 1018 of Part X of the TSX Company Manual states that a SPAC seeking a listing on TSX will not be permitted to adopt a security based compensation arrangement prior to the completion of a qualifying acquisition.
Paragraph 6.30 of SC Malaysia's Equity Guidelines states that security-based compensation arrangements between the SPAC and members of the management team such as employee share option schemes are prohibited prior to completion of a qualifying acquisition.

III Implementation of Amendments to Mainboard Rules

1 Implementation Date

1.1 The amendments to the Mainboard Rules will take effect from 3 September 2021.

Appendix 1 Respondents to the Consultation Paper

SGX received comments from more than 80 respondents on the Consultation. The respondents who agreed to be named are:

Allen & Gledhill LLP
Allen & Overy LLP
Angela Sim
ARA Asset Management Limited
Baker & McKenzie Wong & Leow
Bank of America Securities / Merrill Lynch (Singapore) Pte. Ltd.
CAIA Association
Cantor Fitzgerald Singapore Pte. Ltd.
CFA Institute, CFA Society Singapore
China International Capital Corporation
Clifford Chance Pte. Ltd.
Credit Suisse (Singapore) Limited
Dandanell & Dandanell AB
DBS Bank
Deloitte & Touche LLP
Deutsche Bank
Drew & Napier LLC
Duane Morris & Selvam LLP
Elite Partners Holdings Pte. Ltd.
Everstone Capital
Fidelity International
G2020 Advisors
iCFO Advisors Pte Ltd
J.P. Morgan
KPMG Services Pte Ltd
Lexygen
LinkChina Capital Pte Ltd
Maso Capital Partners Ltd
Michael Kwan
Morgan Stanley
Natixis (Hong Kong Branch)
Ng Jwee Phuan, Eric
Northstar Advisors Pte. Ltd.
Openspace Ventures
PrimePartners Corporate Finance Pte. Ltd.
Quest Ventures
Rajah & Tann Singapore LLP
RHT Capital
RHTLaw Asia LLP
SC Ventures

SEAbridge Partners
Securities Association of Singapore
Securities Investors Association (Singapore)
Sidley Austin LLP
Singapore Institute of Directors
Singapore Venture Capital & Private Equity Association
SoHo Advisors Pte Ltd
Stephen Chen
The Alternative Investment Management Association Limited
The Law Society of Singapore
Tribeca Investment Partners
UOB Group
UBS Asset Management
Value Partners
Vertex Holdings
W Capital Markets Pte. Ltd.
Whitters Khattarwong LLP
WongPartnership LLP
Zhong Lun Law Firm

Appendix 2 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)(m)(iii). 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

"founding shareholder"

person who founded and sponsored the establishment of a SPAC

"management team"

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

"permitted investments"

In relation to a SPAC, means investments in cash or cash equivalent short-dated securities of at least A-2 rating (or an equivalent)

"public"

persons other than:-

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

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

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

"resulting issuer"

the resultant 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:-

(5) Directors and Management

(b) The character and integrity of the directors, management, founding shareholders and controlling shareholders of the issuer will be a relevant factor for consideration. In considering whether the directors, management, founding shareholders and controlling shareholders have the character and integrity expected of a listed issuer, the Exchange will take into account the disclosure made in compliance with Rule 246(5)(a).

(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$150 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 300 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$5 each. Securities may consist of a share and warrant (or other convertible securities).

Minimum Securities Participation

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

Market Capitalisation (S$ million) **("M")**	**Proportion of subscription**
$150 \leqslant M < 300$	3.5%

300 ⩽ M < 500	3.0%
M ⩾ 500	2.5%

The form of equity securities participation may be by way of (i) subscription of units, shares or warrants at IPO; (ii) by irrevocable commitment provided at the time of the IPO, to subscribe for equity securities of the issuer no later than simultaneously with the completion of the business combination, or (iii) by a combination of the methods in (i) and (ii), subject to compliance with the listing rules and such other conditions as the Exchange may consider appropriate. For the avoidance of doubt, the subscription price of the equity securities participation by way of the method in (ii) must not be lower than the subscription price of the respective equity securities at IPO.

(f) The extent of the aggregate equity interests in the issuer acquired by the founding shareholders, management team, and their associates at nominal or no consideration is generally permitted up to 20% of the issued share capital of the issuer (on a fully diluted basis) immediately following closing of the IPO. The Exchange retains discretion in considering the appropriateness of such equity ownership, taking into account the overall structure of the issuer. For avoidance of doubt, such limit includes equity interests arising from warrants or other convertible securities acquired at nominal or no consideration.

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 all equity securities of the issuer held by the founding shareholders, the management team, and their respective associates on the date of listing. 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, all equity securities 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 the moratorium requirements in Rules 227, 228 and 229 (in accordance with the resulting issuer's compliance with Rules 210(2)(a), (b) or (c), or Rule 210(8), or Rule 210(9)) from the completion date 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 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 (through the escrow agent) 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 (through the escrow agent) 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)(m)(x) 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)(n)(i) to (iv).

The content of the escrow agreement must comply with the requirements as set out in paragraph 3 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 or prior to the completion of a business combination, these convertible securities must comply with the following requirements:

(i) Part VI of Chapter 8;

(ii) 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 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; 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.

(k) An issuer must establish a percentage limit of not more than 50% as to the maximum dilution to the issuer's post-invitation issued share capital with respect to the conversion of any warrants or other convertible securities issued by the issuer in connection with the IPO.

Additional Continuing Listing Requirements Prior to Completion of a Business Combination

(l)

(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. For avoidance of doubt, contemporaneous with completion of the business combination, the issuer may raise additional funds (including by way of a placement or subscription for the issuer's equity securities by institutional and/or accredited investors) in accordance with Chapter 8.

(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 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 administrative 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

(m)

(i) The issuer must complete a business combination within 24 months from the date of listing. Where the issuer has entered into a legally binding agreement for a business combination before the end of the 24-months period, the issuer shall have up to not more than 12 months from the relevant deadline to complete the business combination, subject to an overall maximum time frame of 36 months from the date of listing, and provided that:

(A) such an extension is permitted by and in accordance with all relevant laws and regulations governing the issuer in its place of constitution;

(B) the Exchange is notified of such an extension in a timely manner;

(C) the extension is announced via SGXNET by the issuer in a timely manner; and

(D) in the announcement referred to in paragraph (C), the issuer must confirm that:

(1) there is no material adverse change to the financial position of the issuer since the date of prospectus issued in connection with its listing on the Exchange;

(2) the extension is permitted by and in accordance with all relevant laws and regulations governing the issuer in its place of constitution; and

(3) the issuer will provide quarterly updates to investors on its progress in meeting key milestones in completing the business combination via SGXNET.

(ii) Other than the extension circumstance specified in Rule 210(11)(m)(i), the issuer must (A) apply to the Exchange for an extension of time to complete the business combination; and (B) specifically obtain the approval of a majority of at least 75% of the votes cast by shareholders at a general meeting to be convened. The issuer must justify a compelling reason for the extension of time and any application for extension of time must be submitted to the Exchange at least 2 months before expiry of the permitted time frame.

For the purpose of voting on the extension of time, the founding shareholders, the management team, and their associates, are not permitted to vote with shares acquired at nominal or no consideration prior to or at the IPO of the issuer. The Exchange retains the discretion to reject an application for extension of time if the Exchange is of the opinion that there is no compelling 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 in the escrow account at the time of entry into the binding agreements for the business combination transactions. Such concurrent transactions must be in separate resolutions

and conditional upon the initial acquisition, and completed simultaneously on or around the same day within the permitted time frame.

(iv) 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 a business(es) or asset(s), where the resulting issuer can demonstrate that it has management control of such business(es) or asset(s).

(v) The issuer must appoint a financial adviser, who is an issue manager, to advise on 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.

(vi) The issuer must appoint a competent and independent valuer to value the business(es) or asset(s) to be acquired under the business combination where (A) a placement or subscription for the issuer's equity securities by institutional and/or accredited investors, is not conducted in contemporaneous with the business combination; or (B) the business(es) or asset(s) to be acquired under the business combination involves a mineral, oil and gas company, or property investment/development company. A summary valuation report must be included in the shareholders' circular in relation to the business combination.

The Exchange retains the discretion to require the issuer to appoint a competent and independent valuer to value the business(es) or asset(s) to be acquired under the business combination.

(vii) The resulting issuer pursuant to the completion of the business combination must satisfy, where applicable, Rules 210(1) to 210(10), and 222.

(viii) The business combination must be respectively approved by a simple majority of independent directors, and an ordinary resolution passed by 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 permitted to vote with shares acquired at nominal or no consideration prior to or at the IPO of the issuer.

(ix) 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 to which Chapter 9 applies, 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.

(x) Each independent shareholder (other than the founding shareholders, the management team, and their respective associates) shall be entitled to redeem his ordinary shares for a pro rata portion 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 ordinary shares tendered in exchange for cash must be cancelled.

An issuer may establish a limit as to the maximum number of shares with respect to which an independent shareholder, together with any associates or persons acting jointly or in concert, may exercise a redemption right, provided that such limit (A) may not be set at lower than 10% of the shares issued at IPO; and (B) is disclosed in the IPO prospectus and shareholders' circular in relation to the business combination. Any redemption limit established by the issuer must apply equally to all independent shareholders entitled to a redemption right.

(xi) All notices convening general meetings in relation to the business combination must be sent to shareholders at least 21 calendar days before the meeting (excluding the date of notice and date of the meeting).

Liquidation

(n)

(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 in accordance with Rule 210(11)(m)(i); (B) fails to obtain specific shareholders' approval in accordance with Rule 210(11)(m)(ii); or (C) is directed to delist by the Exchange before the completion of a business combination in accordance with Rule 210(11)(p), 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 a business combination.

Delisting

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

(p) 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)(n)(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, 215, 216, 218, 219, 221, 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 (as the case may be) must comply with the prospectus disclosure requirements in the SFA, with the necessary adaptations.

Part VI Additional Requirements For SPACs

625

Apart from complying with applicable law and Part II of this Chapter, a prospectus 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 of the issuer that the issuer has not (a) entered into a written binding acquisition agreement; or (b) engaged in advanced negotiations with high certainty of entering into a 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 (a) impact of dilution to shareholders due to (i) there being less equity contribution from the founding shareholders, the management team, and their associates in respect of their equity interests and such other known dilutive factors or events; and (ii) the conversion of any warrants or other convertible securities issued by the issuer in connection with the IPO including

the maximum percentage dilution limit established in accordance with Rule 210(11)(k) and the basis for the established limit; 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 shareholders. This includes (a) basis of computation for pro rata entitlement in the event of a redemption of shares and liquidation of the issuer; (b) any threshold on the aggregate percentage of shares owned by shareholders who exercise their redemption rights beyond which the issuer will not proceed with the business combination, and the basis for the quantum set; and (c) the terms and procedures for the liquidation distribution upon failure to meet the permitted time frame to complete a business combination;

(10) The limit as to the maximum number of shares with respect to which an independent shareholder, together with any associates or persons acting jointly or in concert, may exercise a redemption right (if applicable);

(11) Pertinent terms of any arrangement or agreement with the founding shareholders and/or 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;

(12) Pertinent terms of any side voting arrangement or agreement respectively entered into by the SPAC and /or founding shareholders with other shareholders including the impact of such arrangement or agreement to shareholders;

(13) 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);

(14) 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;

(15) With reference to Rule 210(11)(n)(i), in the event a material change occurs prior to completion of the business combination 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 will seek a majority approval of at least 75% of the votes cast by independent shareholders at a general meeting to be convened;

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

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

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

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Apart from complying with applicable law and Part II of this Chapter, a shareholders' circular issued by a SPAC in connection with the business combination, should contain the additional information set out in Practice Note 6.4.

Chapter 7 Continuing Obligations

Part XI SPACs – 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 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 (i) any change of the escrow agent of its escrow account and change in the permitted investments; and (ii) any change in maximum percentage dilution limit established by the issuer under Rule 210(11)(k);

(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;

(c) any material change described in Rule 210(11)(n)(i); and

(d) where a business combination is not completed or is rescinded by any party to the transaction due to any reason, (i) the reasons for the non-completion or recission of the transaction; (ii) the financial impact of the non-completion or recission on the issuer; and (iii) the possible course(s) of action to protect the interests of the shareholders of the issuer. Notwithstanding this, the issuer must provide timely updates on the specific course of action including its progress and outcome.

Business Combination

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

(4) Where an application is submitted to the Exchange for an extension of time to complete the business combination under Rule 210(11)(m)(ii), the issuer must immediately announce the fact via SGXNET. The issuer must confirm the following in the announcement:

(a) there is no material adverse change to the financial position of the issuer since the date of prospectus issued in connection with its listing on the Exchange;

(b) the extension is permitted by and in accordance with all relevant laws and regulations governing the issuer in its place of constitution; and

(c) the issuer will provide quarterly updates to investors on its progress in meeting key milestones in completing the business combination via SGXNET.

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

(6) The issuer must comply with the following for the business combination:

(a) Rules 211(A), 215, 216, 218, 219, 221 to 224, 229(A); and

(b) Rules 246(5)(a) and 246(6), with the necessary adaptations for the resulting issuer.

(7) Following completion of the business combination, the resulting issuer will be subject to (a) Rule 113(2), with the necessary adaptations; and (b) 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)(m)(x) in paying a pro rata portion of the amount held in the escrow account to independent shareholders. 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)(o) and (p) 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)(o) and (p).

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:

(viii) 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)(m)(ii).

Practice Note 6.4

Requirements for Special Purpose Acquisition Companies

Details	**Cross References**
Issue date: 2 September 2021 Effective date: 3 September 2021	Listing Rule 210(11)(a) Listing Rules 210(11)(i)(i) and (v) Listing Rule 626 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. Guidance on Suitability Assessment Factors of a SPAC

2.1 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 business objective and strategy of the issuer;

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

(d) the extent and manner of the founding shareholders and the management team's securities participation in the issuer, including equity interests acquired by the founding shareholders, management team and their associates at nominal or no consideration prior to or at the IPO;

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

(f) the proportion of rewards to be enjoyed by the founding shareholders, the management team, and their associates;

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

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

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

(j) the provisions in the Articles of Association and other constituent documents of the issuer (including comparability of shareholder protection and the liquidation rights with that of Singapore-incorporated companies, and whether the issuer will be subject to the Insolvency, Restructuring and Dissolution Act of Singapore ("IRDA") for liquidation procedures or the incorporation of such equivalent provisions of the IRDA);

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

(l) the escrow arrangements governing the funds in the escrow account; and

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

2.2 The management team should have the appropriate experience and track record and demonstrate that it will be capable of identifying and evaluating acquisition targets and completing the business combination 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.

2.3 In demonstrating the suitability of a SPAC for listing, the issue manager must consider the SPAC proposal holistically and take into consideration factors including those set out in paragraphs 2.1 and 2.2 above.

3. Additional Requirements for Escrow Agreement

3.1 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).

4. Contents of Quarterly Updates via SGXNET

4.1 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 the issuer on whether there is any circumstance that has affected or will affect the business and financial position of the issuer;

(d) commentary from the directors of the issuer on the direction 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.

5. Event of Material Change prior to Business Combination

5.1 Examples of circumstances that may constitute an event of material change as described in Rule 210(11)(n)(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.

6. Circumstances for Escrow Funds Draw Down

6.1 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 at the time of business combination vote 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 shareholders at a general meeting to be convened, for a draw down on the amount held in escrow account for the purposes of (d). For the purpose of voting on a draw down under (d), the founding shareholders, the management team, and their associates, are not permitted to vote with shares acquired at nominal or no consideration prior to or at the IPO of the issuer.

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

7.1

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

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

(g) The limit as to the maximum number of shares with respect to which an independent shareholder, together with any associates or persons acting jointly or in concert, may exercise a redemption right (if applicable);

(h) Where an independent valuer is not appointed, statements from the financial adviser and the directors of the issuer on why obtaining an independent valuation on the business combination is not necessary and the basis for forming such views;

(i) 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;

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

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

(i) basis of computation for pro rata entitlement in the event of a redemption of shares and liquidation of the issuer;

(ii) any threshold on the aggregate percentage of shares owned by shareholders who exercise their redemption 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;

(l) Prominent disclosure on dilutive impact to shareholders arising from known dilutive features and events including (i) additional financing obtained for the business combination and new issuance of securities; (ii) the conversion of any warrants or other convertible securities issued by the issuer in connection with the IPO including the maximum percentage dilution limit established in accordance with Rule 210(11)(k) and the basis for the established limit; and (iii) the aggregate equity interests in the issuer acquired by the founding shareholders, management team, and their associates at nominal or no consideration;

(m) Pertinent terms of any side voting arrangement or agreement respectively entered into by the SPAC and/or founding shareholders with other shareholders including the impact of such arrangement or agreement to shareholders;

(n) 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);

(o) 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;

(p) 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

(q) 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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(5) (a) Declaration by each of the applicant's (and where applicable REIT manager's or trustee-manager's) director, executive officer, <u>founding shareholder (in the case of a SPAC listing applicant),</u> controlling shareholder, controlling unitholder (where applicable), and officer occupying a managerial position and above who is a relative of such director, <u>founding shareholder (in the case of a SPAC listing applicant),</u> controlling shareholder or controlling unitholder (where applicable), in the form set out in paragraph 8, Part 7 of the Fifth Schedule, Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018, as amended from time to time. This rule is not applicable to an application for a secondary listing.

(6) Resumes and particulars of each of the applicant's (and where applicable REIT manager's or trustee-manager's) director, executive officer, <u>founding shareholder (in the case of a SPAC listing applicant),</u> controlling shareholder and controlling unitholder (where applicable), and if the <u>founding shareholder (in the case of a SPAC listing applicant),</u> controlling shareholder or controlling unitholder (where applicable) is a company or partnership, resumes and particulars of each of its director, executive officer, controlling shareholder and partner. In the case where such entity is listed on a stock exchange and the relevant information relating to each relevant person is publicly available, this requirement is not applicable, but the issue manager must inform the Exchange of any material changes.

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

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~~.~~<u>; and</u>

<u>(11) A signed copy of the escrow agreement, if any.</u>

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 I Scope of Chapter

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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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