

STRATAGE UPDATES

Listing of SPACs in IFSC

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The International Financial Services Centres Authority (“**IFSCA**”) has notified IFSCA (Issuance and Listing of Securities) Regulations, 2021 (“**Listing Regulations**”) on July 16, 2021 ([available here](#)), a framework highlighting the process of issuance and listing of various types of securities and disclosures in International Financial Service Centre (“**IFSC**”).

The Listing Regulations specify the guidelines for listing of Special Purpose Acquisition Companies (“**SPACs**”) on a recognized stock exchange in IFSC (“**Exchange**”).

A “SPAC” means a company having *no operating business* and formed with the primary objective to affect a *business combination*, such as merger, amalgamation or acquisition of shares of companies having business operations.

As per the Listing Regulations, a sponsor of a SPAC is a person sponsoring the formation of the SPAC and includes persons holding any specified securities of the SPAC prior to the listing.

Presently, there is no regulatory framework for SPACs in India, therefore, SPACs in IFSC have offered a promising stimulation to the Indian companies along with the benefits of a liberalized tax regime in IFSC.

Certain compliance requirements for listing of SPAC have been set out hereunder.



Listing of SPACs in IFSC

Parameters	Description
Eligibility	<ul style="list-style-type: none"> › Target business combination should not be identified prior to the listing. › Provisions for redemption and liquidation of SPAC should be in line with the Listing Regulations.
IPO Process	The process for listing of companies as per the Listing Regulations is applicable for SPACs.
Offer Completion	Within 1 year from the date of issuance of observations on the offer documents by IFSCA.
Application Size	Minimum USD 100,000
Issue Size	Not less than USD 50 million
Sponsors' holding	Minimum 15% of post issue paid up capital
	Maximum 20% post issue paid up capital
	The Sponsors are required to have aggregate subscription in the SPAC amounting to at least 2.5% of the issue size or USD 10 million, whichever is lower, prior to or simultaneous to the IPO.
Pricing of Shares	Minimum USD 5 per share
IPO Offer Period	Open for at least 3 working days and not more than 10 working days

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Parameters	Description
Allotment	<ul style="list-style-type: none">› Maximum allotment for a single application is 10% of post issue paid up capital.› Allotment is on either proportionate or discretionary basis.
Successful Offer	<ul style="list-style-type: none">› At least 75% of the issue size› At least 50 subscribers in number
Issue Proceeds	To be deposited in an interest-bearing escrow account controlled by an independent custodian until consummation of business combination.
Utilisation of Issue Proceeds deposited in the escrow	<ul style="list-style-type: none">› Invest the escrow funds only in short-term investment grade liquid instruments, as disclosed in the offer document.› The interest and other income received from the amount placed in the escrow account may be withdrawn for: (a) payment of taxes; and (b) general working capital expenses, approved by way of special resolution of the shareholders, other than sponsors.
Business Combination	<ul style="list-style-type: none">› To be completed within 36 months from the date of listing on Exchange, as approved by majority shareholders, other than the Sponsors.› Dissenting shareholders have a redemption right to convert the securities held by them into a pro-rata portion of the total amount held in escrow.› Aggregate fair market value of the acquisition should be at least 80% of amount in escrow.