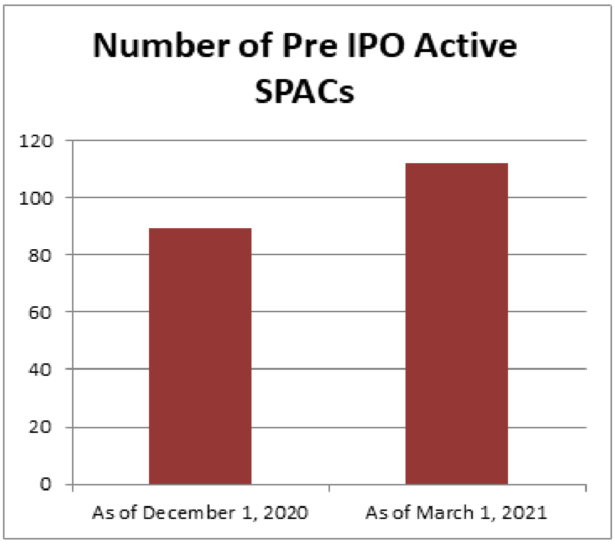
# An overview of SPACs and related concerns in India

Himanshu Dubey – Executive

CS Ajay Kumar K V

The traditional mode of raising funds *via* IPO, for very long, has been a panacea for established companies to raise funds and generate liquidity. However, an IPO comes with certain hardships especially for new age startups that have huge potential for growth in future but lack the fiscal track record of profitability in the present scenario. This has created a vacuum that for decades was being filled by Angel Investors, Venture Capital Funds and Private Equity investors. A common man was unable to be a part of these new age innovative companies during their initial years when they could have got the slice of the cake at a very attractive price. To fill such a vacuum, the concept of Special Purpose Acquisition Companies ('SPAC's) came into picture. They come up with a win-win situation for the startups finding it difficult to list themselves as well as the public who are unable to invest in startups with huge growth potential. This has led to a situation where companies across all sectors are increasingly considering mergers with SPACs, rather than a conventional IPO to access public funds for business expansion.

SPACs are a kind of "blank check" companies which are created for the sole purpose to raise funds from the public via IPO and subsequently acquire a company out of those funds. SPACs do not have any underlying business and are thus sometimes referred to as shell companies, however formed with a specific objective. Once acquired by SPAC, a private company becomes a public listed company forestalling the cumbersome and arduous process that is involved in a traditional IPO.




The ease associated with SPACs has brought a lot of big players in the game, like SoftBank Group which recently came up with a SPAC raising $280 Million[1] and hedge fund manager Bill Ackman having a $4 Billion SPAC[2]. In 2020, driverless car startup Luminar Technologies went public via a merger with a SPAC, Gores Metropoulos Inc for an amount $590 million[3].

## Key terms in relation to SPACs

We have discussed few important terms relating to SPACs[4] below:

1. **Shell company:** SPACs do not have any business other than acquiring a target company with the SPAC- IPO proceeds. Hence, they are referred to as shell companies.

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1 https://www.reuters.com/article/us-svf-investment-ipo-idUSKCN2AT26D

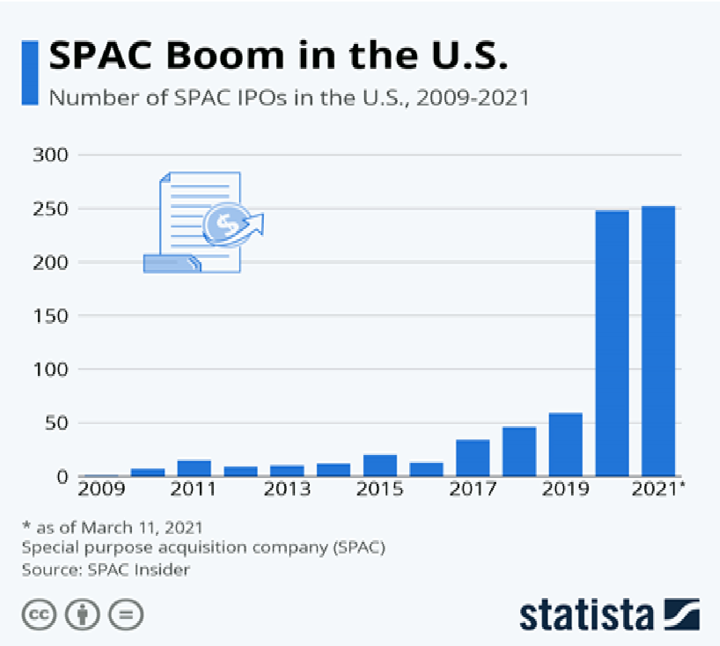
2 https://www.marketwatch.com/story/billionaire-bill-ackman-has-a-4-billion-blank-check-to-buy-a-company-but-he-hasnt-said-which-one-2020-07-22

3 https://www.businesswire.com/news/home/20201202005741/en/Luminar-and-Gores-Metropoulos-Announce-Closing-of-Business-Combination

4https://www.forbes.com/advisor/investing/spac-special-purpose-aquisition-company/#:~:text=A%20SPAC%20is%20formed%20by,SPAC%20IPO.&text=The%20SPAC%20is%20assigned%20a,Acquisition%20search.

2. **Sponsors & Management:** The SPACs are formed by people who are called sponsors. These are generally experienced PE/Hedge fund executives and renowned investor groups who will run the SPAC management.
3. **IPO price**: A SPAC– IPO price is not based on the valuation of an existing business as in the case of a traditional IPO. The SPAC units are typically priced at a nominal $10/ unit.
4. **SPAC unit**: A SPAC IPO combines shares of common stock with a warrant to the investors. Thus, the shareholders get the right to buy more stock at a fixed price at a later date. This is referred to as the SPAC unit.
5. **Escrow account:** The money raised from the public in the SPAC-IPO will be held in trust, till a target is identified for acquisition.
6. **Acquisition target/qualifying acquisition:** The company as identified for acquisition by the SPAC.
7. **Deadline/permitted time frame for acquisition**: The SPACs are under the obligation to complete the acquisition within a period of 18 to 24 months. If it does not find a target within such time, the SPAC shall be dissolved and the money held in escrow will be returned to the investors.
8. **Announcement:** Once the target is identified, formal announcement of acquisition is made to the public by the SPAC.
9. **Proxy vote:** Once a target is identified, SPAC shareholders are sent proxy materials to vote on the acquisition. An acquisition typically requires approval by at least 60% of the shareholders and some deals require up to 80%. Those shareholders who record their dissent, can liquidate their holdings.
10. **Private Investment in Public Equity (PIPEs):** Once the acquisition target is identified, the SPAC may bring in additional equity to close the deal where the IPO proceeds fall short of the total amount required. Such an investment is called Private Investment in Public Equity (PIPE).

## Evolution of SPACs and Global Scenario




[5] Globally, SPAC regulations have evolved over the past many years. The history of SPACs can be traced back to the 90s in the USA when David Nussbaum created the first SPAC in 1993[6]. At that time blank check companies were prohibited and SPACs came as an exemption in this regard. SPAC structures are more shareholder friendly and have ample fail-safe measures to prevent fraud. Lock-in periods ensure that founders have some "skin in the game" and minimize agency costs.

Successful SPAC listings over the years have reduced risk perceptions and, consequently, the associated upfront costs, such as underwriter's fee, has also come down. The New York Stock Exchange (NYSE) had no SPACs listed till 2017 but within a span of three years, there are now as much as 60 SPACs listed on

[5] https://www.statista.com/chart/24008/growth-in-us-spac-ipos

[6] https://www.excelsiorgp.com/resources/what-is-a-spac-and-why-are-they-suddenly-so-popular/

NYSE[7]. SPACs have raised about $80 Billion in 2020 despite the pandemic. This boom may subsequently result in a M&A boom in 2021. One of the reasons for such a boom is that the confidence of the public is possessed by the managers behind such SPACs. There has been a surge in investment in SPACs from celebrities like rap star Jay-Z and tennis player Serena Williams among others. This spontaneous spurge compelled the SEC to issue a warning to investors in order to avoid investing in SPACs solely on the basis of celebrity investments being poured in by these entities[8]. In terms of the UK market, during the period between 2016 and 2017, there was a significant increase in the formation of SPACs, with 15 SPACs listing on the LSE in 2017 alone, raising £1.7 billion. In the last five years, over 50 SPACs have been listed in the UK and more than $2 billion has been raised by SPACs on the LSE since 2017[9]. The data reveals that a whopping 15 SPACs got listed in London in 2017, a significant increase compared to the previous 2 years.

## SPACs in United Kingdom (UK)

Till now, the London Stock Exchange (LSE) has an article of SPACs[10] that briefs about its structure and purpose. However, the LSE till now lacks staunch guidelines on SPACs.

Major regulatory reforms are being discussed in the UK to showcase itself as an attractive destination for SPACs and save London as one of the most important financial centres. The former EU Commissioner for Financial Services wrote in a letter addressed to Chancellor of the Exchequer Rishi Sunak: “We need to encourage more of the growth companies of the future to list here in the UK[11].”

## SPACs in Malaysia

The Malaysian Securities Commission (MSC) issued Equity Guidelines[12] on 23rd December 2020 pertaining to the listing of SPACs, which is designed to ensure that new submissions of SPACs in Malaysia are of a high quality and with public investors’ protection in mind[13]. The guidance note defines a SPAC as ‘a corporation which has no operations or income generating business at the point of initial public offering and has yet to complete a qualifying acquisition with the proceeds of such offering’. The guideline broadly covers the following:

A. Equity offering and primary listing of a SPAC on Bursa Securities;
B. Qualifying acquisition by a SPAC; and
C. Liquidation distribution upon failure by a SPAC to meet time frame for a qualifying acquisition.

The guidelines provides to consider the suitability of a SPAC on case to case basis after considering factors like experience and track record of the management team, nature and extent of the management team’s compensation, extent of the management team’s ownership in the SPAC, amount of time permitted for completion of the qualifying acquisition prior to the mandatory dissolution of the SPAC etc.

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7 https://www.excelsiorgp.com/resources/what-is-a-spac-and-why-are-they-suddenly-so-popular/

8 https://www.reuters.com/article/us-sec-spac-idUSKBN2B22M5

9 https://www.nortonrosefulbright.com/en-gb/knowledge/publications/94734f5e/spacs-the-london-alternative#:~:text=The%20four%20largest%20SPAC%20IPOs,2017%2C%20raising%20%241.25%20billion%20%E2%80%93%20the

10 https://www.londonstockexchange.com/raise-finance/funds/spacs?lang=en

11 https://www.crowdfundinsider.com/2021/03/172827-spacs-new-uk-proposals-for-rule-changes-for-london-special-purpose-acquisition-companies-could-help-attract-more-tech-firms/

12 https://www.sc.com.my/api/documentms/download.ashx?id=c81eed76-295b-4027-a89f-ca1feaef0a5b

13 https://www.sc.com.my/api/documentms/download.ashx?id=c81eed76-295b-4027-a89f-ca1feaef0a5b

The guidelines also place a minimum cap of RM150 million on fund raising by SPACs through its initial public offering.

## SPACs in Canada

Canada's Toronto Stock Exchange (TSX) has separate guidelines for SPACs[14] and is actively promoting it. The guidelines provide that the listing application, preliminary prospectus, draft escrow agreement governing the IPO proceeds and personal information forms for all insiders of the SPAC should be filed with the Exchange concurrently with the filing of the preliminary prospectus with the applicable Canadian securities regulatory authorities. A minimum of $30 million shall be raised via IPO with a minimum price of $2.00 per share or unit.

## SPACs in Singapore

The Singapore Stock Exchange ('SGX') issued a consultation paper on 'Proposed Revisions to Mainboard Admission Criteria and the Introduction of SPAC' in 2010[15] which among other things provide for the following:

A. Minimum market capitalisation of $150 million based on the issue price and post-invitation issued share capital.
B. At least 25% of a SPAC's total number of issued shares must be held by at least 300 public shareholders.

As per news reports, the SGX plans to list SPACs in 2021 after almost a decade of coming out with a consultation paper on SPACs. The lack of appetite among businesses and investors back in the year 2010 is considered to be the reason why Singapore was unsuccessful in launching SPACs.

## SPACs in other geographies

In South Korea, SPACs are listed as public companies and must seal an M&A transaction within three years. In 2014, SPACs made up about 40% of new listings in the tech focused KOSDAQ but concerns about conflicts of interest, tax and disclosure issues have hampered widespread adoption[16].

Meanwhile Hong Kong is considering whether to allow SPACs in its jurisdiction[17].

## SPACs in USA

SPACs have different regulatory frameworks worldwide. The USA, the place where the majority of SPACs by number and volume operate, is the jurisdiction where they are most appropriately regulated compared to other geographies. USA securities regulator Securities and Exchange Commission (SEC) explains SPAC as follows: "Unlike an operating company that becomes public through a traditional IPO, however, a SPAC is a shell company when it becomes public. This means that it does not have an underlying operating business and does not have assets other than cash and limited investments, including the proceeds from the IPO."[18]

In a nutshell, SPACs in the USA have to file the following:

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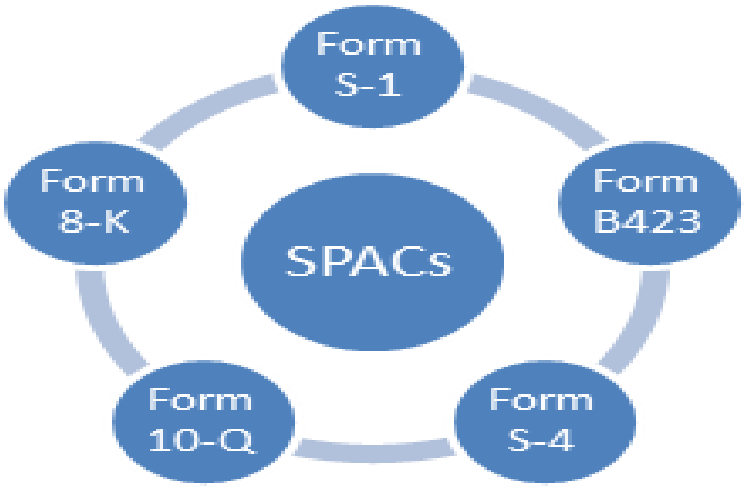
[14] https://qweri.lexum.com/w/tsx/tsxcme-en#!fragment/zoupio-_Toc56069274/BQCwhgziBcwMYgK4DsDWszIQewE4BUBTADwBdoAvbRABwEtsBaAfX2zgFYA2ABi4E4ATAHYALAEoANMmylCEAIqJCuAJ7QA5BskRCYXAiUr1WnXoMgAynlIAhdQCUAogBknANQCCAOQDCTyVIwACNoUnZxcSA

[15] https://www.sgx.com/regulation/public-consultations/20100106-consultation-paper-proposed-revisions-mainboard-admission

[16] https://www.kroll.com/en/insights/publications/compliance-risk/are-spacs-todays-answer-to-the-ipo

[17] https://www.nasdaq.com/articles/hong-kong-considering-allowing-spac-listings-2021-03-02

[18] https://www.sec.gov/oiea/investor-alerts-and-bulletins/what-you-need-know-about-spacs-investor-bulletin




- Form S-1- a registration statement with the SEC at the time of the IPO[5]
- Form B423- final prospectus
- Form 10-Q- statement to disclose the amount of the fund raised immediately after the IPO
- Form S-4- filed, after entering into an agreement with the target company but before shareholders' approval, with the SEC for approval
- Form 8-K- it must contain all the information that would be required in a Form 10 registration statement (the registration statement for companies that become public reporting companies other than through a registered IPO)

Since the companies acquired by SPAC become public companies, they must satisfy the relevant SEC filing requirements laid out in the **Securities Act of 1933, Rule 419, Rule 3a51-124, section 11, the Securities Exchange Act of 1934, and the Sarbanes-Oxley Act, 2002**. This would mean that every disclosure, reports, audited financial statements and documented internal controls shall be filed with the regulators within the specified timeline.

**Financial Industry Regulatory Authority (FINRA) via Regulatory Notice 08-54**[19] has issued Guidance on Special Purpose Acquisition Companies. Similarly, the Division of Corporation Finance of the Securities and Exchange Commission of the USA came up with guidance with regard to SPACs[20].

The sponsors/ directors and officers of SPAC may have contractual obligations or relationships with other entities in the capacity as an investor or otherwise. In the race to acquire business of their choice a conflict of interest may arise because of such relationships. This attracts **FINRA Rule 5121- Public Offerings of Securities with Conflicts of Interest,** which requires disclosure of the nature of conflict of interest and certain other compliances. Once the acquisition stage is reached, all possible incentives and conflicts that the sponsor of a SPAC may face must be disclosed.

During the IPO stage, investors purchase units representing one or more shares of common stock and one or more warrants and will be traded as a single unit following the IPO. Often after a period of 90 days of the IPO, the common stock and warrants are traded separately. The terms of securities issued by SPAC to its sponsors may differ from terms of issue to the public shareholders and hence it grants substantial control in the hands of sponsors over the SPAC.

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[19] https://www.finra.org/rules-guidance/notices/08-54

[20] https://www.sec.gov/corpfin/disclosure-special-purpose-acquisition-companies

In all such cases, SPAC shall disclose the difference in the term of securities. Similarly, it shall also disclose if it intends to raise additional funds from other sources and how will the term of securities issued pursuant to such funding will differ and impact the public shareholders.

SPAC IPOs have certain risks due to its very structure, which shall be disclosed to investors in the company statement.

The IPO proceeds are held in an escrow account in trust till a target is identified for acquisition. The Rule 419 states that *the blank check company shall deposit proceeds of the offering into an escrow or trust account pending the execution of an agreement for an acquisition or merger*. The money lying in the escrow account is invested in money market funds or short-term U.S. government securities till a public announcement for target acquisition is made.

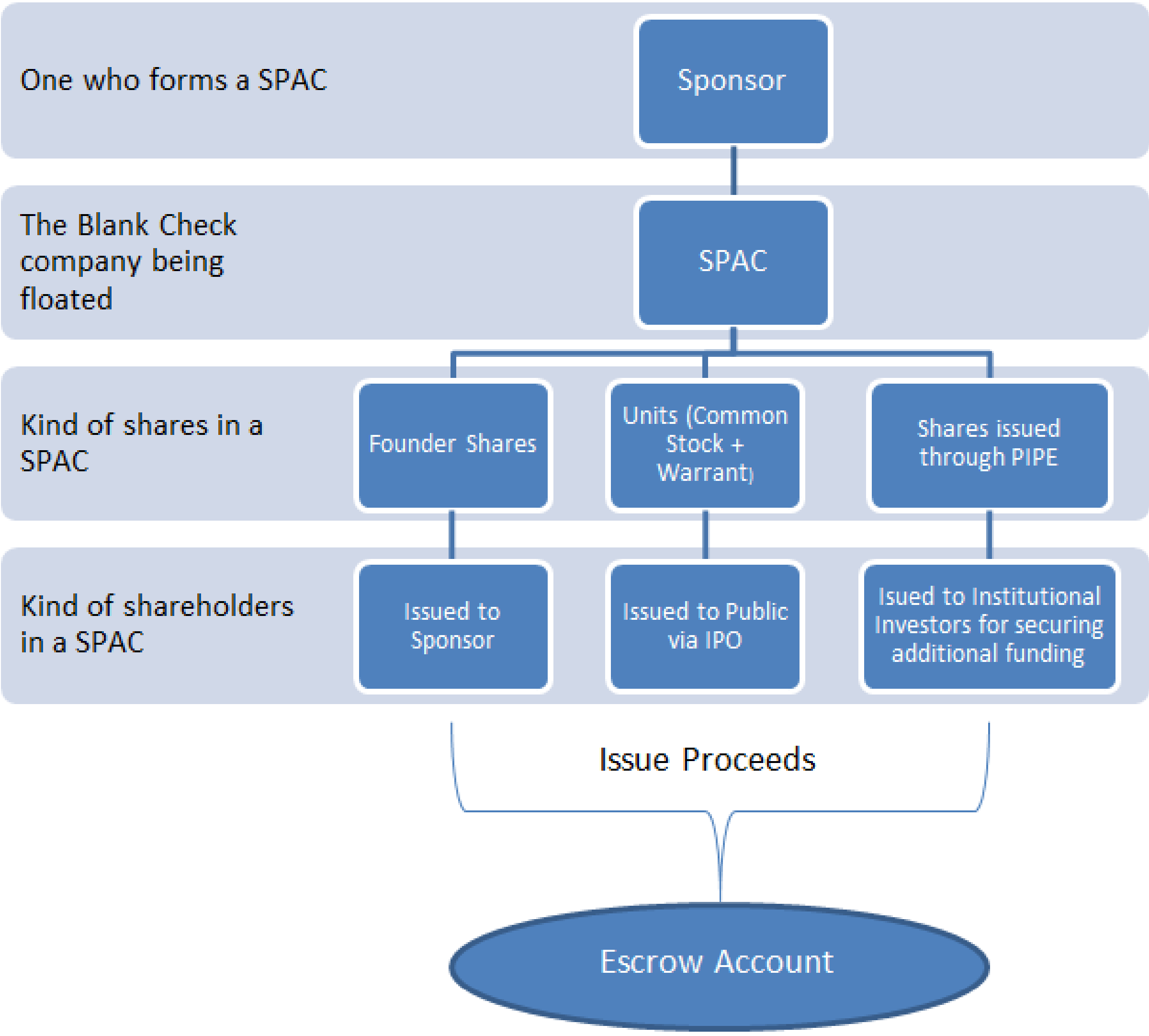
Once a target is identified, at least 60% of the shareholders and in some cases up to 80% shall approve the acquisition. The proxy materials are sent to the shareholders with necessary details. An investor who is against the acquisition and votes accordingly is entitled to a pro rata return of the funds held in escrow. However, if the SPAC's securities are trading at a premium in the secondary market, the investor may opt to sell there.

The sponsors of the SPAC do not receive a pro rata distribution from the escrow account if an acquisition is not completed unless they have purchased shares of the SPAC's common stock. The sponsors are prohibited from selling their holding in the SPAC before completing an acquisition. Such measures are imperative to ensure sponsor's skin in the game.

See registration statement filed with the U.S. Securities and Exchange Commission on May 21, 2019 here.

## Typical SPAC structures

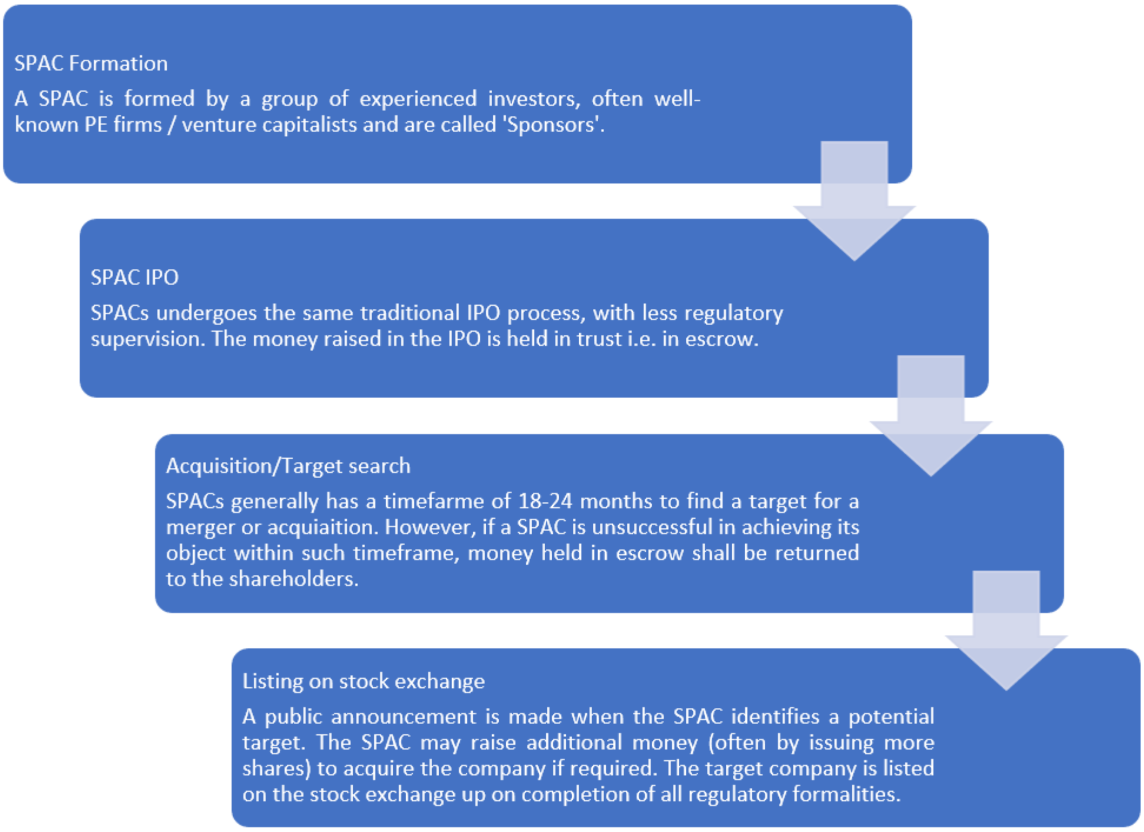
### Formation and Funding




Generally, a SPAC is formed by an experienced management team or a sponsor with nominal invested capital, typically translating into a 20% interest in the SPAC (commonly known as founder shares). The sponsors of SPAC in most of the cases are Private Equity firms or Fund Managers. The remaining 80% interest is held by public shareholders through “units” offered in an IPO of the SPAC’s shares. Each unit consists of a share of common stock and a fraction of a warrant (e.g., ½ or ⅓ of a warrant).

Founder shares and public shares generally have similar voting rights, with the exception that founder shares usually have sole right to elect SPAC directors. Warrant holders generally do not have voting rights and only whole warrants are exercisable.

A typical SPAC life-cycle looks like the one depicted in Figure




**SPAC Acquisition process**

Once the SPAC identifies an appropriate acquisition target, they must then obtain approval through a shareholder vote. The proxy materials disclosing the details of the proposed acquisition is sent o to the shareholders. A SPAC's public shareholders may vote in favor of the acquisition, or vote against the acquisition. If the shareholders record their dissent to the acquisition, they may choose to liquidate their holding into a pro rata portion of the IPO proceeds, held in an escrow account.


The proxy materials will include the complete financial information of the target company (at least 3 previous years) and a pro forma financial statement showing the post-merger scenario.

SEC rules require that SPACs file a special Form 8-K within four business days following completion of a De-SPAC transaction. This Form 8-K is known as a "Super 8-K" and must contain all the information that would be required in a Form 10 registration statement (the registration statement for companies that become public reporting companies other than through a registered IPO).

## How to Invest in a SPAC

SPACs are public companies whose shares are traded in the exchange. Once the SPAC debut on the exchange it will be traded as a single SPAC unit. The shares and warrants are traded separately after a period of 90 days in general. An investor also has an opportunity for a diversified approach to minimize risks by investing in a basket of SPACs through an exchange-traded fund (ETF) focused on SPACs.

Eg: Defiance Next Gen SPAC Derived ETF[21]

Morgan Creek – Exos SPAC Originated ETF (SPXZ)[22]

Advisories have been issued by stock exchanges across jurisdiction wrt investor concerns, also the US press release[23]

## Raising funds through SPACs vs. Traditional IPO route

#### Why Do Companies Go Public Through SPACs?

| Particulars | SPAC | Traditional IPO |
|---|---|---|
| Kinds of company involved | A blank check company with no underlying business | A company with a proven track record in terms of certain parameters depending upon regulatory requirements |
| Time considerations | The process can be accomplished more quickly, with fewer associated costs and as compared to a traditional IPO. | It is a lengthy and complex process that requires fulfilment of extensive reporting obligations and involves assembling a large and experienced team of professionals. |
| | In general, a SPAC typically must complete an acquisition within 18 to 24 months, and must use at least 80 percent of its net assets for any such acquisition. The two-year timeframe for SPACs, gives sponsors an incentive to find an acquisition target and finalize a deal. | The process of planning and executing an IPO is time-intensive and, for a domestic issuer, typically takes 14 to 16 weeks from organizational meeting to closing, though the exact time taken can vary widely and depends on market conditions, the complexity of the transaction. etc. |
| Certainty of investment/utilisation of funds | SPACs generally do not "pre-identify" possible acquisition targets. While some SPACs are specific about the industries or sectors in which they will look | In a traditional IPO, underwriters conduct significant and thorough due diligence on a company and assume liability for the |

[21] https://www.etf.com/SPAK#overview
[22] https://www.morgancreekcap.com/spxz/
[23] https://www.sec.gov/oiea/investor-alerts-and-bulletins/what-you-need-know-about-spacs-investor-bulletin

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|---|---|---|
| | for a target company, others are open-ended. | information disclosed in the registration statement. |
| Liquidation of funds collected from investors | If the SPAC fails to find the target within the specified timeline, it must dissolve and shall return to the investors their pro rata shares of the assets in the escrow account. | No such requirement in case of a traditional IPO. However, if allotment is not done within specified timeframes, the monies so collected must be refunded. |
| Role of underwriters | The concept of "gatekeeper" function by underwriters in connection with the acquisition target of a SPAC may not be found as compared to traditional IPO. | An IPO has a substantial due diligence process to ensure the accuracy, completeness and truthfulness of the company's registration statement. The underwriter acts as a 'gatekeeper' with respect to completeness and truthfulness of the information up on which the investors rely. |

## Regulatory framework in India

India has seen a reasonable number of acquisitions by SPAC recently:

- Acquisition of Yatra by Terrapin 3 Acquisition Corp (TRTL), a NASDAQ-listed SPAC.
- Videocon DTH was listed on the NASDAQ through a reverse merger with Silver Eagle Acquisition Corp, a SPAC.
- In 2017, a SPAC, Constellation Alpha Capital Corp was listed on the NASDAQ with major focus to make acquisitions in India.[24]

Till now, the major regulatory drawback in India is the lack of targeted laws concerning SPACs.

SEBI has formed an expert group to examine the feasibility of SPACs in India. International Financial Services Centre Authority (IFSCA) has proposed to enable a framework for listing of SPACs[25]. IFSCA has therefore issued a Consultation Paper on proposed IFSCA (Issuance and Listing of Securities) Regulations, 2021. Salient features of the proposed regulations are –

A SPAC shall be eligible to raise capital through IPO of specified securities on the recognised stock exchanges in IFSC, only if:

I. The primary objective of the issuer is to effect a merger or amalgamation or acquisition of shares or assets of a company having business operations ("business acquisition");
II. The issuer does not have any operating business.

The salient features of the framework for listing of SPACs are as follows:

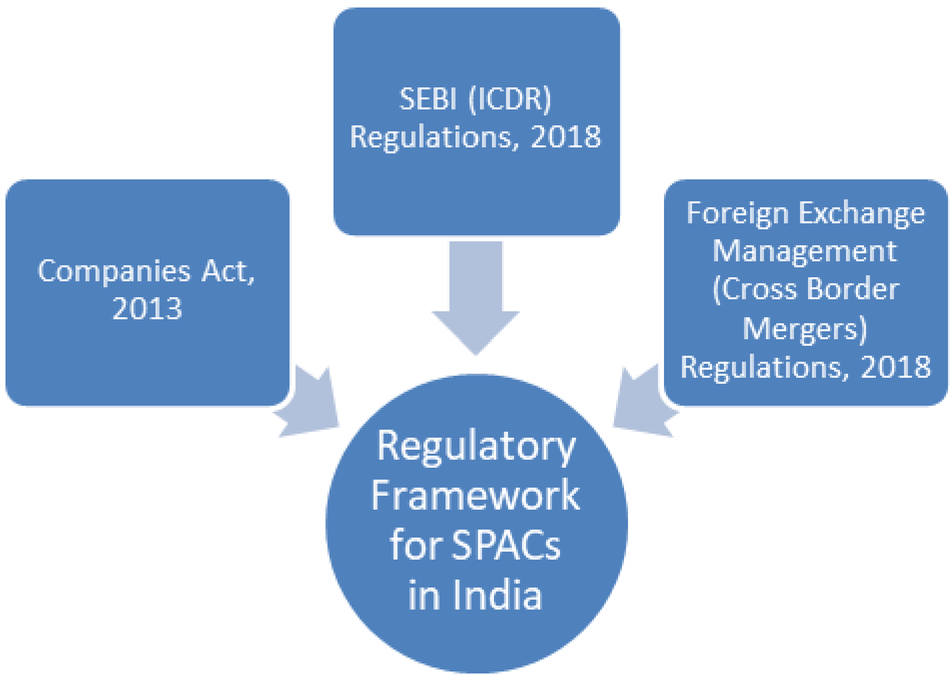
01. Offer size: Not less than USD 50 million or any other amount as may be specified by the Authority out of which the sponsor shall hold at least 20% of the post issue paid up capital.
02. Minimum application: The minimum application size in an IPO of SPAC shall be USD 250,000.

24 https://mnacritique.mergersindia.com/regulatory-challenges-special-purpose-acquisition-company-india/

25 https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1703854

03. Minimum subscription: At least 75% of the offer size.
04. SPAC specific obligations: Requirements have also been prescribed with respect to maintenance of escrow account, eligible investments pending utilisation, acquisition timeline of 3 years extendable up to 1 year, right of dissenting shareholders, liquidation provisions, etc.

The existing legal framework of companies in India which would primarily impact SPACs, is summarized below;




**Companies Act, 2013**

As per Section 248 of the Companies Act, 2013, the registrar has the power to remove a company's name from the register of companies, if it has "failed to commence its business within one year of its incorporation".

The typical acquisition timeline of SPACs is 18 to 24 months and their sole objective is to acquire/merge with a target company. The sponsors need this time to identify the best target in order to maximize shareholders' wealth. Thus, this clause presents a major hurdle to SPAC implementation. However, the Companies Act has this concept of 'dormant company'. Therefore, either fresh provisions may be inserted or existing provisions may be tweaked to enable SPACs.

**SEBI ICDR Regulations**

As per Regulation 6 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, an issuer shall meet the minimum eligibility conditions for an initial public offer. An issuer shall have:

- Net tangible asset of at least INR 3 crore in each of the preceding three years (earlier requirement of maximum of 50% to be held in monetary assets has been done away with in case the entire public offer is through sale).

- Minimum average consolidated pre-tax operating profit of INR 15 crore during any three of the last five years.
- Net worth of at least INR 1 crore in each of the last three years.

On a careful reading of the above provisions, one can easily find that a SPAC does not fulfil the above criteria. They are effectively a 'shell company' till a target is acquired. Considering the fact that SPACs are meant for accessing public money within a lesser time period, waiting for a period of three years to get listed in the stock exchanges would make it unattractive for investors.

**Cross-border considerations**

- The Section 234 of the Companies Act, 2013 provides for cross-border mergers that requires mandatory approval of the Reserve Bank of India (RBI).
- Furthermore, the requirements of section 230 & 232 also need to be complied with which among other things requires approval from National Company Law Tribunal (NCLT).
- Apart from the Companies Act, 2013, the Foreign Exchange Management (Cross Border Mergers) Regulations, 2018 would also be attracted. This regulation has significant impact on SPAC mergers in India where either of the SPAC or target is listed outside India, or if an Indian SPAC receives investment from foreign investors.

  The regulations provide that the Indian office of the target company shall be deemed to be the branch office of the combined entity upon the approval of the scheme of merger by the NCLT.

  A resident individual may acquire securities outside India provided that the fair market value of such securities is within the limits prescribed under the Liberalized Remittance Scheme (presently USD 250,000/financial year). This might be one of the constraints where individuals from India get shares of the merged entity housed abroad.

  Moreover, the guarantees or outstanding borrowings of the Indian company which become the liabilities of the resultant company shall be repaid as per the Scheme sanctioned by the NCLT in terms of the Companies (Compromises, Arrangement or Amalgamation) Rules, 2016.

## Issues and concerns for SPACs

**Frauds**

SPACs can be used as tools to fraud investors through window-dressing of accounts. For instance, a Greek streaming company, Akazoo, was listed on the markets in 2019[26]. The company's board launched an investigation, "eventually concluding that the company's previous management had 'participated in a sophisticated scheme to falsify Akazoo's books and records,'" including the documents that had been given to the acquiring SPAC, according to the Financial Times.

**Incompetent managers**

26-https://www.prnewswire.com/news-releases/akazoo-special-committee-determines-former-akazoo-management-and-associates-participated-in-sophisticated-multi-year-fraud-301063980.html

SPACs carry the risk of having incompetent managers who runs the entire operations of the entity there by making wrong investment decisions.

**Unsuccessful in identifying the target**

The SPAC structure requires that the investor's funds shall be held in escrow and returned if an acquisition is not completed. Moreover, investors may be able to sell the SPAC units in the secondary market. However, investors will have to bear the opportunity cost of waiting for an acquisition by the SPAC or sell the units in the secondary market.

**Litigation Risk**

Recently some SPACs have been in bad news due to litigation. For example, Bogart v Israel Aerospac Indus., Ltd. (standing as SPAC sponsor to bring a claim for breach of duty to act in good faith), Rufford v. Transtech Serv. Partners, Inc. (challenge to fees being paid to SPAC sponsor), Welch v. Meaux (alleged securities fraud in connection with SPAC business combination), and Olivera v. Quartet Merger Corp. (SPAC shareholder suing SPAC for failure to honor his redemption right)[27]

**Conflict of interest**

The sponsors/ directors and officers of SPACs may have contractual obligations or relationships with other entities in the capacity as an investor or otherwise. When a target acquisition happens there may be a conflict of interest due to such relationships with other third parties and all such conflicts of interest must be disclosed to the investors.

## Conclusion

The Indian regulatory framework has to undergo substantial reform in order to project India as an ideal destination for SPACs. The Companies Act, 2013 may require amendments to include separate provisions for SPACs including compliance and governance requirements under various other laws of the country. Further, the direct tax laws may also require amendments for SPACs to make them attractive to investors.

27 https://www.forbes.com/sites/allbusiness/2020/11/11/10-key-questions-and-answers-about-spacs/?sh=2073a0602f83