

SPACS IN THE CITY: THE EMERGING LITIGATION AND REGULATORY RISKS IN ENGLAND AND WALES

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Legal Briefings

SPACs scorched the US stock markets last year, with the UK left out in the cold. While the recent crackdown by the Securities and Exchange Commission (SEC) is cooling investor interest in the US, the UK regulators are hoping that changes to the regulatory framework will bring some SPAC sunshine to this side of the Atlantic. But what are the potential regulatory and litigation risks for SPACs in the City?

SPACs, colloquially known as “blank-cheque companies”, have become increasingly popular in the US in recent years, but their take-up in the UK has been much more modest. In 2020, 248 SPACs listed in the US and raised the equivalent of £63.5bn. Over the same period, only four SPACs listed in the UK, raising a total of £0.03bn. However, numbers are on the rise, with the FCA estimating that there were 33 SPACs listed in the UK as at 30 April 2021. Modest growth of the SPAC market in the UK could be set to change in light of changes to the Listing Rules, following proposals in the Hill Review to update the regulatory framework and “close a gap” between London and other global financial centres – including seeking to boost the City’s attractiveness to SPAC sponsors, investors and potential acquisition targets alike. Given the limited number of London listed SPACs to date, the litigation and regulatory risks for SPACs in the UK remain broadly untested. However, some cautionary tales are emerging from the US, where increasingly SPACs are the subject of litigation and regulatory scrutiny. This article considers the UK’s regulatory framework applying to SPACs, before exploring some of the key anticipated regulatory and litigation risks for SPACs in this jurisdiction.

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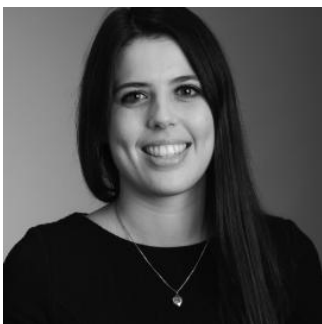
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