Market news: SPAC update

November 2015

Special purpose acquisition companies (affectionately known as **SPACs** or cash shells) have always been newsworthy in the City.

Earlier this month it was announced that the advisers involved (a well known bank along with two well-known international law firms) in the creation of London listed mining SPAC, Bumi, had been censured by the UK Takeover Panel. (For a brief summary of Bumi's journey, see our earlier note on SPACs.) The events in question occurred *five* years ago. What they say about the wheels of justice turning very slowly seems to ring true.

In other news, SPACs continue to enjoy the unwanted attention of the London Stock Exchange (**LSE**) which regulates companies listed on the Alternative Investment Market (**AIM**). There are about 55 SPACs listed on AIM and 30 on the Main Market or ISDX (ICAP Securities and Derivatives Exchange). LSE appears to be rattled by recent high-profile "incidents" (Chinese-backed Gate Ventures being one) and is trying to raise the bar for new entrants.

In October, LSE published a consultation notice setting out the following proposals for SPACs (referred to as "investing companies" in the AIM rules):

- The minimum to be raised will be increased to £6m (currently £3m).
- Companies that become cash shells after a fundamental disposal will have to either implement its investing policy or make an acquisition which constitutes a reverse takeover during a prescribed period. This prescribed period will be reduced to 6 months from the current 12 months.

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