

Snapshot: Could SPACs make a transatlantic leap?

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Many people reading this will have already read about the huge success of SPACs in the US (if not, please do read [this](#) enlightening article by Ogier BVI partner, Michael Killourhy). A SPAC (special purpose acquisition company) is also known as a "blank cheque company" as at the point investors commit their monies, there is no definitive target for the SPAC to spend those funds on. Since 2017, their popularity has surged in the US and the \$48bn so far raised in 2020 is already three times the amount raised last year.

The attractiveness of SPACs is, again, well-documented. It provides access to deals more often seen in private equity transactions, but with the benefit of the liquidity of public markets to exit at the time of your choosing, not the PE fund's.

So if SPACs are one of the standout successes of 2020, why is such success limited to the West side of the Atlantic Ocean and not being replicated in the UK? There are multiple contributing factors to the low take up of SPACs on the UK markets and the one that is likely to be hardest to overcome is the nature of the investors - the slightly more risk-averse UK investor may not be as willing to write a blank cheque as their US counterpart. The aversion to risk, certainly in connection with SPACs, partly stems from a number of high-profile failed UK SPACs around the time of the financial crisis in 2008.

Erasing those memories is no easy feat but it is clearly something that the London Stock Exchange believes could happen. The UK rules regarding SPACs, set by the FCA and requiring the shares in a SPAC to be suspended after the SPAC acquires its target until a deal prospectus is published, could also be holding back the success of SPACs in the UK. If you are an investor in such a SPAC that voted against the acquisition, the wait to sell your shares to exit can be a large (and lengthy) frustration. However, it is rumoured that the LSE are exploring the possibility of amending the share-suspension requirements, specifically in the hope of luring more SPACs on to the UK markets.

This bold move (if it came to fruition), together with envious eyes viewing the booming SPAC market across the pond, could result in a few more blank cheques washing up on UK shores in the months and years ahead.

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