

# **Listing Regulations – Practice Note 25**

## **International Issuers - Equity Securities & Special Purpose Acquisition Companies (SPACs)**

**as prescribed by the Exchange pursuant to the Bermuda Stock  
Exchange Listing Regulations, Section I, Regulation 1.8**

## 1. Introduction

The Bermuda Stock Exchange (the BSX or the Exchange) is a full member of the World Federation of Exchanges.

The BSX Listing Regulations, Section IIIA provide for the listing of equity securities by international issuers.

An international issuer may have a primary listing on the BSX; in which case investment in the listed securities is restricted to Qualified Investors. Regulations 4.7, 4.8, 4.9 and 4.11 refer and will apply in respect of a Special Purpose Acquisition Company (SPAC). This restriction means, inter alia, that the securities may only be marketed to Qualified Investors and may only be traded on the Exchange between Qualified Investors. Further, it has been the policy of the Exchange to require issuers of listed securities that are restricted to Qualified Investors to not allow the transfer of such securities to Non- Qualified Investors as part of the regime to restrict investment in the securities to Qualified Investors in a manner acceptable to the Exchange.

Regulation 4.10 will not apply in the case of a SPAC.

All international equity securities listed on the BSX have equal access to the Exchange's electronic trading and settlement system as a source of liquidity for the holders of their listed securities.

## 2. Current Developments

The BSX has noted a number of enquiries from international issuers looking to create a Special Purpose Acquisition Company (SPAC) and secure a primary listing for the equity securities of the SPAC.

The BSX wishes to give guidance to prospective issuers seeking a listing on the Exchange for a SPAC.

## 3. BSX's Position

Generally, the BSX will require a SPAC seeking a listing on the Exchange to have the following attributes, provisions or characteristics:-

- A. The SPAC must have a minimum market capitalization of US\$500,000 in seed capital at the time its initial listing application is presented to the Exchange and prior to the SPAC conducting the IPO via the Exchange;
- B. The founder shareholders must all be Qualified Investors. The directors and management of the SPAC must as a group have the appropriate experience and track record both in business generally and specifically in the industry of the intended target acquisition;
- C. The SPAC must submit a listing prospectus for the shares issued as seed capital and the shares to be issued by way of the IPO offering only to Qualified Investors as part of a full listing application. The prospectus and listing application must be submitted to the BSX via the SPAC's appointed BSX Listing Sponsor;

- D. 90% of the gross proceeds of the offering to Qualified Investors must be held in escrow with a designated party acceptable to the BSX acting as trustee;
- E. The founder shareholders must have a net equity position in the SPAC of between 10% and 20% post the IPO offering to Qualified Investors;
- F. There must be in place a 12-month post acquisition lock-up for all shares held by the directors and the management of the SPAC;
- G. The SPAC must identify an appropriate business or asset as a qualifying acquisition within 36 months of the closing of the IPO offering to Qualified Investors and the business or asset must have an aggregate fair market value equal to at least 80% of the funds held in escrow;
- H. Following the identification of the qualifying acquisition, the SPAC must prepare an information circular regarding the qualifying acquisition with prospectus-level disclosure for submission to the BSX and, following review by the BSX, for distribution to the SPAC's shareholders;
- I. The SPAC may only complete the acquisition if a majority of its shareholders approve the transaction at a duly convened meeting of shareholders;
- J. The SPAC may EITHER impose a condition not to proceed with the proposed qualifying acquisition if more than a pre-determined percentage of shareholders, who are not directors, officers or management of the SPAC, vote against the proposed qualifying acquisition OR offer a cash out option for shareholders who vote against the proposed qualifying acquisition;
- K. If, at any stage in the acquisition process, the SPAC moves to change the original qualifying acquisition entity, business or industry it must seek shareholder approval to do so and offer a cash out option for shareholders who vote against the proposed change of the qualifying acquisition entity;
- L. In order to provide for a liquidity opportunity for the SPAC's IPO investors, post completion of the qualifying acquisition, the resulting entity shall continue to be listed on the BSX for a minimum period of 12 months;
- M. If a qualifying acquisition has not been completed within the 36 months allowed, the SPAC must provide for a liquidation distribution allowing for the pro-rata distribution of the funds held in escrow to the shareholders who participated in the IPO offering;
- N. At the sole discretion of the Exchange, the BSX may grant a listed SPAC a single one-off listing extension of 6 months in order for the SPAC to complete the qualifying acquisition. If the SPAC at the end of the 6 months extension is still not able to complete the qualifying acquisition the liquidation distribution noted in "M" must take place;
- O. During the listed life of the SPAC's securities the SPAC will be subject to the Exchange's Continuing Obligations as set out in Chapter 6 of Section IIIA of the BSX Listing Regulations;

P. The BSX's Listing Fees Schedule for International Issuers, Primary Main Board Listings shall apply to SPACs.

The BSX holds that the highest standard of regulatory oversight set out in the BSX Listing Regulations must be applied to all issuers looking to place their securities with and attract investment from Qualified Investors. The BSX will not grant any waiver from the Restricted Marketing provision relating to Qualified Investors.

## 4. Cautionary Note

**The contents set out above are for guidance only and are derived from information in the possession of the BSX on the date of publication and are subject to revision by the BSX. The contents are in no way binding on the BSX. The Exchange generally and in its discretion may impose additional requirements on all issuers seeking a listing on the BSX or may waive requirements as it sees fit.**

**The BSX expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Practice Note.**

## 5. Reservation of the Exchange's Powers

The Listing Committee of the Bermuda Stock Exchange reserves the power in its absolute discretion to determine whether or not an issuer is suitable for listing on the BSX.

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