THE SPAC SPECTACLE: A COMPARATIVE STUDY OF REGULATORY RESPONSES TO BLANK-CHECK COMPANIES IN DEVELOPED AND EMERGING MARKETS

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ABSTRACT

Special Purpose Acquisition Companies (SPACs) rose rapidly to become a global phenomenon, posing a stark trilemma for global regulators: do they support capital market innovation while preserving the integrity of the market and protecting investors from speculative excess? This article makes a comparative analysis of the regulatory reactions to the SPAC phenomenon in three jurisdictions that span the spectrum from "reactive correction" to "proactive design" to "cautious deliberation": the United States, Singapore and India. The study employs a qualitative comparative case study approach that draws on the theories of public interest and regulatory capture, and it analyses key regulatory documents such as the final rules issued by the SEC in 2024, the SEC framework for SPACs in Singapore in 2021, and consultation papers published by the SEC. This analysis includes the following significant regulatory parameters: sponsor compensation, redemption rights of the shareholders, disclosure requirements, warrant dilution controls, and liability at the de-SPAC stage. The results show that there are some differences with regard to the same concerns. The United States adopted an ex post approach, with SPACs following the same liability requirements as traditional IPOs, and the PSLRA safe harbour for forward-looking statements was eliminated. One key difference in the approach is that Singapore has an ex ante prescriptive approach with minimum capitalisation requirements and compulsory moratoriums to shape the quality of the listings market. India, which puts on a pedestal the protection of retail investors and systemic stability, has not adopted a formal SPAC framework, but rather, it has insisted that abstention is a valid policy option. The authors conclude that the regulatory response to financial innovation is context dependent and depends on legal traditions, economic development needs, and the demographics of investors. There is no single SPAC model that is transplantable. The tripartite typology (reactive, proactive and cautious) provides a normative perspective on how to react in the future in a situation involving disruptive financial instruments.

Keywords: Special Purpose Acquisition Companies (SPACs), Blank-Check Companies, De-SPAC Transactions, Comparative Securities Law, SEC, SGX, SEBI, Regulatory Trilemma, Investor Protection, Financial Regulation, Regulatory Capture.

1. Introduction

Special Purpose Acquisition Companies (SPACs), which are also referred to as blank check companies, saw tremendous growth as well as decline between 2020 and 2022.[1] Special purpose acquisition companies are publicly traded investment funds that have only one purpose in their existence: raising money in order to acquire a privately held firm and turn it into a publicly held one. Within the space of two years, these special-purpose acquisition companies had managed to raise billions of dollars.

Nevertheless, with the intensification of this boom, there emerged issues relating to investor protection, speculative bubbles, and conflict of interest between the companies that were being targeted, the shareholders of the companies, and the SPACs themselves. Financial regulators around the world have thus been left with no choice but to take action. There has not been a uniform reaction from all quarters. In this regard, the present study suggests conducting a comparative analysis of the regulatory measures taken to counter the SPAC boom by developed nations and developing ones alike.

2. Problem of Statement

The most basic conundrum that regulators face is a well-known trilemma: to promote capital market innovation and provide efficient access to government money while simultaneously upholding market integrity and protecting investors from needless risk. The SPAC boom brought this issue into stark relief. There is a significant gap in the comparative analysis of how different jurisdictions—particularly emerging markets—have understood the SPAC phenomena, despite the fact that the US SPAC market and the U.S. Securities and Exchange Commission's (SEC) reactive response have been extensively discussed.

These new markets that are keen to receive capital yet wary of receiving importation volatility in the market have taken individual and frequently proactive approaches. The implications of these varied regulatory philosophies are significant to policymakers, investors and financial

[1] U.S. Securities and Exchange Commission, *What You Need to Know About SPACs - Investor Bulletin* (2021).

institutions operating in the changing global capital market environment.

3. Issues for Consideration

This study will be guided by the following primary and secondary research questions:

3.1. Primary Issue: How and why have regulatory responses to SPACs differed between selected developed and emerging markets, and what do these differences reveal about broader trends in global financial governance?

3.2. Secondary Issues:

3.2.1. What were the primary drivers (e.g., investor protection, market competition, economic nationalism) behind the specific regulatory frameworks adopted for SPACs in each jurisdiction?

3.2.2. What are the key points of convergence and divergence in regulations concerning sponsor compensation, shareholder rights (e.g., redemption rights), disclosure requirements (at IPO and de-SPAC stages), and warrant structures?

3.2.3. How have these regulatory frameworks impacted the viability and structure of SPAC markets in each respective region?

4. Literature Review

4.1. The Mechanics and Economics of SPACs

Klausner, Ohlrogge, and Ruan, A Sober Look at SPACs, Yale Journal on Regulation.[2]

The structural risks that exist in SPACs, specifically, dilution of the sponsors' shareholding and high cost of capital, have been extensively discussed in A Sober Look at SPACs From an extensive empirical study of SPAC transactions, the authors prove that the sponsor "promote" takes value away from regular stockholders and that, on average, post-merger returns are very negative for stock market investors. It is on this basis that each of the U.S., Singapore, and

[2] Michael Klausner, Michael Ohlrogge & Emily Ruan, *A Sober Look at SPACs*, 39 Yale J. on Regul. 228, 230-35 (2022).

Indian regulatory authorities has based its reaction to SPACs. In the same vein, in SPACs (Gahng, Ritter, and Zhang, Review of Financial Studies, 36(9), 3463–3501, 2023; NBER Working Paper No. 28775), the authors analyze the cost structure of SPACs in detail and show that the SPAC sponsors used the gap in regulatory arbitrage that was not available to regular IPO companies; in particular, the PSLRA safe harbour.[3]

4.2. Financial Regulation and Market Innovation

***Gatekeepers: The Professions and Corporate Governance* (Oxford University Press, 2006)**[4]

Coffee addresses this theoretical conflict in his book. According to Coffee, effective regulation depends largely on professional intermediary integrity, which in turn makes economic dependence of the gatekeepers on issuers result in regulatory capture, a concept that is relevant to SPAC underwriters who take their payment upfront, and are not in any way affected if the merger is not successful. This concept, which is based on the Regulatory Capture Theory mentioned in this paper, will provide the basis for analysing whether the SEC, SGX, and SEBI regulation measures are genuinely in the public interest.

4.3. Comparative Corporate and Securities Law

***The Anatomy of Corporate Law:* A Comparative and Functional Approach by Kraakman et al. (3rd ed., Oxford University Press, 2017).**[5]

The methodological base for cross-country comparative analysis in this paper relies on the insights provided in *the article.* Specifically, the authors convincingly argue that even similar issues of principal-agent relationships in business law often result in different solutions because different legal regimes address them using different legal tools. This finding is crucial for this paper because the issue of sponsor-shareholders' conflict of interest in SPACs is equally resolved by the United States, Singapore, and India via enhanced disclosure and liability, prescriptive structuring, and a hands-off approach, correspondingly.

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[3] Minmo Gahng, Jay R. Ritter & Donghang Zhang, *SPACs*, 36 Rev. Fin. Stud. 3463, 3470–78 (2023).
[4] John C. Coffee, Jr., *Gatekeepers: The Professions and Corporate Governance* 2–5 (Oxford Univ. Press 2006).
[5] Reinier Kraakman et al., *The Anatomy of Corporate Law: A Comparative and Functional Approach* 1–7 (3d ed. 2017).

4.4. Identified Gap

Despite this strong foundation, existing SPAC scholarship remains heavily concentrated on the United States market. The comparative regulatory experiences of emerging markets such as Singapore and India have received limited scholarly attention. This study directly addresses that gap.

5. Research Methodology

The research will be based on a **qualitative and comparative case study approach.** The methodology is best suited to a detailed study of complicated regulatory patterns in a variety of national settings.

Case Selection: The study will be based on purposive selection of jurisdictions in order to make a meaningful comparison:

5.1. Advanced economies:

5.1.1. The United States: The country where the SPAC boom was the most active, its mostly reactive regulatory changes under the SEC can be viewed as the main model.

5.2. Rapid-growth economies:

5.2.1. Singapore: An instance of a market that has gone out of its way to establish a customised but strict regulatory regime (through SGX) to lure quality SPAC listings.

5.2.2. India: An example of a conservative market that has discussed an extensively developed but still-to-be-adopted SPAC framework, representing an alternative risk-taking attitude and regulatory ideology within SEBI.

5.3. Collection of relevant Data: The data will be collected using primary and secondary sources:

5.3.1. Primary source: Regulatory filings, proposed and final rules from various securities commissions (For example, the SEC, the Monetary Authority of Singapore, SEBI), government reports, consultation papers, and legislative texts and documents. So, I have relevant publications and documents regarding the proposed and final rules from various securities commissions and government reports.

5.3.2. Secondary source: Law and finance journal articles, industry reports prepared by financial institutions, law firms and good-quality financial journalism (such as The Wall Street Journal, Financial Times, Bloomberg).

5.4. Analysis of Data: It will involve a systematic comparison of the regulatory systems of the chosen jurisdictions. An architecture will be created to map and compare the major regulatory characteristics systematically, such as disclosure regulations, sponsor regulations, and protection of the investor.

6. Expected Results and Impact

This study will provide various important results:

6.1.A Typology of Regulatory Responses: A list of various methods of regulating SPACs, in order of reactive and market-driven (U.S.) to proactive and highly curated (Singapore).

6.2.In-depth Policy Insights: A subtle perception of the policy trade-offs in SPAC regulation. The results will have useful implications to the policymakers in other jurisdictions with their own SPAC frameworks.

6.3.Theory Contributions: The paper will make a contribution to the academic literature on the topic of financial regulation in that the paper will present a modern, cross-jurisdictional examination of how regulators are struggling to deal with financial innovation in a world where there are global capital flows.

Finally, this study will give a detailed, critical description of the international regulatory response to the SPAC spectacle, which will not be US-centric.

The SPAC Spectacle: A Comparative Study of Regulatory Responses to Blank-Check Companies in Developed and Emerging Markets.

1. Introduction: The Rise and Re-regulation of the Blank-Check Company.

SPACs became a household name in financial circles between 2020 and 2022, and the commonly called Special Purpose Acquisition Companies overtook the traditional Initial Public Offering (IPO). The blank-check companies were a major financial innovation that provided quicker access for private firms to the public markets with more certainty of the price. This was controversial; however, the SPAC system was fraught with risk and conflict of interest, specifically the so-called promote to sponsors, massive dilution of shareholders, and deployment of rosy financial forecasts in de-SPAC mergers.

This posed a trilemma for regulators: how to promote innovation, maintain market integrity and protect investors. The world backlash has been an experiment in real time in dealing with financial arbitrage. The original way SPACs succeeded was through the difference in regulation of mergers and IPOs, like the Private Securities Litigation Reform Act safe harbour on forward-looking statements, which is not extended to standard IPOs.

The paper has used a comparative case study approach to examine the regulatory framework of the United States, Singapore and India. The U.S. is an example of reactive, disclosure-oriented regulation; Singapore is an emerging market that has actively modelled a regime of curated SPACs; and India is a large market that has taken a reserved, stability-oriented strategy.

1.1.Theoretical SPAC Regulation Lenses

The current research falls at the cross-section of the economic analysis of SPAC structure and the political-economic theories of state regulation.

1.2.The Economics of SPACs: The Great Dilution Debate

The fundamental economic considerations in association with SPACs are the dilution of shares, a point of controversy that has directly been used to contribute regulatory action. The strongest criticism, by Michael Klausner and his co-authors, is that SPACs are associated with large hidden costs causing massive dilution.[6] They estimated that a 10.00 per share investment in

[6] Michael Klausner, Michael Ohlrogge & Emily Ruan, *A Sober Look at SPACs*, 39 Yale J. on Regul. 228, 244-52

SPACs in their sample of 2019-2020 would be diluted to have a median of only 5.70 in cash invested in the merged company. This investor injury did give a good reason to act by the U.S. Securities and Exchange Commission (SEC) and the Delaware Court of Chancery.

Scholars Hal Scott and John Gulliver refuted this thesis by claiming that the NCPS measure is illusory since cash is a minor proportion of the value of the post-merger company.[7] They suggest that a better measure is the dilution of the ownership stake of an investor, which they estimate to be 5.5 percent, much less than the common 20 percent under pricing in standard IPOs. What is important about this debate is that the work by Klausner was a kind of a focusing event such that it offered regulators a fact-based account of market failure, which necessitated action, despite the absence of academic consensus.

1.3.Philosophies of Governance: Public Interest versus Regulatory Capture. Two theories prevail to be able to comprehend regulatory motivations. The **Public Interest Theory** suggests that regulation is a nice government intervention to fix market failures such as information asymmetries. In this sense, what the SEC did to improve SPAC disclosure is the textbook manifestation of the theory in action to safeguard investors. In contrast,

Regulatory Capture Theory, Regulatory Capture Theory is a concept described by George Stigler that regulators are often influenced and manipulated by the industry in which they are expected to be regulators. According to this theory, influential industry groups are capable of capturing the process of regulation to their benefit, including putting up barriers to the entry. Using both the prisms, it is possible to explore the question of whether SPAC rules have been motivated by the passion to protect the common good or the pressure to remain competitive in the market and to satisfy existing interests.

2. Three Markets: A Comparative Study of Regulatory Frameworks

The strategies of the United States, Singapore and India are three different sides of the regulatory spectrum: reactive correction, proactive design, and careful deliberation.

2.1. United States: A Corrected Response to Contain the Spectacle. The American

(2022).
[7] Hal S. Scott & John Gulliver, *Did SPACs Create a Better IPO?* 2021 Colum. Bus. L. Rev. 83, 118-26 (2021).

policy was rather in a responsive mode. The market was left to flourish in the current markets until the risks were realised and the SEC resorted to force. This was culminated in some very broad new regulations adopted in January 2024, aimed at bringing SPACs to be treated similarly to a conventional IPO.

The final rules issued by the SEC concern more disclosure and more liability. New regulations require comprehensive disclosure of sponsor payment and conflicts of interest, along with all significant sources of dilution of shareholders.[8] The most far-reaching changes bring about equality in the field of liability. A private target company in a de-SPAC is now required to be a co-registrant, which puts the directors and officers of the target company in a de-SPAC under strict liability on material misstatements.[9] In addition, the regulations remove the PSLRA forward-looking statement safe harbour of SPACs, which takes away one of the most important regulatory arbitrage benefits. **protecting investors,** which is cast in the spirit of a public interest to offset information asymmetries and level the playing field.

2.2. Singapore: Action-oriented Roadmap to an Edited Market Singapore on the other hand, was proactive and strategic. Following the trend of major Southeast Asian firms going public in the U.S. through SPACs, the Singapore Exchange (SGX) promptly created a program unique to itself, which was announced in September 2021. This was aimed at establishing a good quality market that would be an alternative to New York to provide high growth companies in the region.[10]

The SGX system is distinguished by the strong barriers of entry and structural protection. It sets minimum market capitalization of S$150 million to allow access to only well-funded sponsors into the market. In order to match incentives, sponsors are required to subscribe to not less than 2.5 percent and 3.5 percent of the IPO shares, and their shares must have a mandatory moratorium of two sixty months. Once the business combination is made. The structure, too, places a 50% limit on potential warrant dilution and demands de-SPAC acceptance by a majority of both shareholders as well as independent directors. The primary drivers are **competition on the market and economic development,** with good investor protection as an instrument to create market confidence and improve the reputation of

[8] Id. at 14,164-68.
[9] Id. at 14,170-73.
[10] Singapore Exch. RegCo, *SGX Introduces SPAC Listing Framework* (Sept. 2, 2021).

Singapore as a financial centre.[11]

2.3. India: A Prudent Reflection with Stability in Mind

India has countered this by being cautiously observant and sceptical. Although an expert group was commissioned by the Securities and Exchange Board of India (SEBI) to research SPACs in 2021, it has not adopted a framework, indicating its apprehension of speculative products.[12]

There are considerable legal obstacles. The Companies Act, 2013, in section 248 permits the striking of a company that does not enter business within one year, directly contradicting the usual 18-24 months lifecycle that a SPAC is supposed to have. Moreover, IPO regulations by SEBI demand a history of profitability and net worth, which a new SPAC is unable to fulfil.[13] The leading motivation behind the position of India is its age-old philosophy of. retail investor protection. SEBI has traditionally played an active role in protecting its huge retail clientele against over-speculation. The blank check aspect of SPACs is in contrast with this philosophy of informed investment, and creates a wait-and-see strategy that values stability above all.

2.4. The Future of Global Capital Formation, Convergence and Divergence

An analysis of the three jurisdictions shows that they have similar interests, yet they differ greatly in the philosophy of regulations and priorities.

Table 1: Comparative Model of SPAC Regulatory Frameworks

Regulatory Characteristics	United States (SEC)	Singapore (SGX)	India (Deliberation Phase)
Primary Driver	Investor Protection (Reactive)	Market Competition (Proactive)	Retail Investor Protection (Cautious)
Listing Thresholds	Exchange-specific	Min. S150M Market	Min. S150M Market

[11] Singapore Exch. RegCo, *Mainboard Rules Practice Note 2.4-Special Purpose Acquisition Companies* paras. 2.3-2.15 (2021).
[12] Sec. & Exch. Bd. of India, *Report of the Expert Group for Facilitating Ease of Doing Business Relating to Listing of Companies in India* 68-72 (2021).
[13] Companies Act, No. 18 of 2013, Sec. 248, India Code (2013); Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, §§ 6-7, Gazette of India, Extraordinary, Part III, sec. 4 (Sept. 11, 2018).

	(e.g., NYSE/NASDAQ rules)	Cap	Cap
Sponsor Compensation	Enhanced disclosure of promote and conflicts	Promote limited to 20%; Key equity participation (2.5-3.5)	Key point of debate: emphasis on sponsor trustworthiness.
Moratoriums	Lock-up arrangements revealed	A pre and post de-SPAC moratorium of 6 months (on sponsor shares)	A post-acquisition moratorium is a key recommendation
Shareholder rights	Redemption rights applicable to all shareholders	Redemption rights; De-SPAC necessitates a majority of independent directors and shareholders approving (not less than 50% of all shareholders)	Strong emphasis on shareholder approval rights
Warrants & Dilution	Increased disclosure of all sources of dilution	Warrants are detachable; warrants may not exceed 50% of the total dilution of warrants.	A key concern for investor protection
Liability Regime	The target company is a co-registrant, with Section 11 liability	General securities law liability	The current legal regime would probably place a heavy burden of liability.

Projections / FLS	PSLRA safe harbour is explicitly unavailable	General securities law is applicable; no particular safe harbour to eliminate	A significant area of risk because it can be abused.
General Philosophy	Aligning SPACs with IPOs to arbitrage gaps	Curtate high-quality, reputable market	Eliminate high-risk, speculative vehicles.

3. Convergence and Divergence Analysis

There is an apparent worldwide agreement that the main risks of SPACs are mis congruent incentives among sponsors, dilution of shareholders, and conflicts of interest. The **divergence** is in the remedy.

3.1. The United States has been drawing on its culture of increased disclosure and increased liability. Singapore has embraced a more prescriptive, meritocratic way of using structural rules to design a quality market.[14] The deliberation of India indicates that there might be a philosophy that disclosure is not enough to safeguard the retail investors, and the optimal solution can be to avoid market entry.

These decisions have directly influenced the viability of a market. The new rules have increased the cost and liability of de-SPACs to a point comparable to IPOs, a situation that helped the market to cool down dramatically, and reinvented SPACs as a more focused instrument.[15]

3.2. The stringent framework made **Singapore** a place to be trusted by and made the SGX a veritable place to be when it comes to attracting any future revival in SPACs in Asia.

3.3. In **India,** the lack of a framework has implied not being part of a significant global trend in the capital market, with a focus on stability instead of innovation.

4. Conclusion

The SPAC spectacle spurred a reconsideration of the regulations of accessing public capital

[14] Singapore Exch. RegCo, *Mainboard Rules Practice Note 2.4-Special Purpose Acquisition Companies* paras. 2.3–2.15 (2021).
[15] U.S. Sec. & Exch. Comm'n, *SPACs, IPOs and Liability Risk Under the Securities Laws* (2024).

around the world. A typology of regulatory responses that are found as a result of this comparative analysis includes the **reactive approach** of the U.S., **the proactive approach** of Singapore and the cautious approach of India. These various directions show that the regulatory trilemma of innovation encouragement, market integrity and investor protection involves inherent trade-offs.[16] This work adds to the body of financial regulation research by demonstrating that the decision to regulate is fundamentally based on the legal traditions of a country, its economic goals and the type of investors. The main policy implication is that financial innovation does not have a model that fits everybody. The experiences of these three jurisdictions can be very useful to the world policy makers. With new financial instruments bound to be invented, the experience with the global regulation of blank-check companies will not be obsolete, with the fine art of creating capital markets and regulating their speculative exuberance being delicate and context-specific, respectively.

[16] John C. Coffee, Jr., *Gatekeepers: The Professions and Corporate Governance* 309-15 (Oxford Univ. Press 2006).

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