



## **Nasdaq Copenhagen considering Framework for listing of Special Purpose Acquisition Companies (“SPAC”)**

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### **Introduction**

Nasdaq Copenhagen has announced the initiation of dialogue with the Danish FSA to prepare the regulatory framework for admitting Special Purpose Acquisition Companies (“SPAC”) to listing and trading in Denmark. The announcement was made following the recent success of the company type in the US in 2020 in connection with listings, where more than half of the new listings, totaling 248 listings, concerned the SPAC type.

### **Characteristics of a SPAC**

The SPAC is incorporated and listed for the purpose of raising capital through an IPO and to use such capital for the purpose of acquiring another company. At the time of the SPAC's incorporation and listing, it is often not known what company will be acquired, and the SPAC itself does not have any commercial operations. As investors do not know which company will be acquired, but leave this decision to the SPAC, investors will have to base their investment decisions on other factors, such as the expertise of the founders of the SPAC and the track record of such founders. Also, considering that the purpose of SPACs is to acquire other companies, the SPACs thus have some characteristics similar to private equity funds.

### **Comparison to Danish private equity Funds**

Danish private equity funds are usually established as limited partnerships by way of a limited partnership contract being entered into, limiting the liability of the investors to the amounts that such investors have undertaken to commit, while at the same time being tax-transparent under Danish law. The formation of a private equity fund is typically subject to individual negotiations and drafting of a detailed limited partnership agreement. Investors are typically institutional investors, pension funds and family offices playing a major role, and occasionally certain high net worth individuals are admitted.

In order for a Danish entity to be listed on Nasdaq Copenhagen, it must be a public limited company, i.e. comprised by the Danish Companies Act, and must comply with the requirements applicable to such companies in general, in addition to the extra requirements for listed companies. Where the structure of private equity funds thus reflects the agreement between the parties, limitations on the types of investors that are typically involved and restrictions on transfer etc., SPACs would be subject to additional requirements applicable to listed companies in general, e.g. disclosure requirements, be open to retail investors, and subject to ongoing trading.

### **Current Alternatives**

It is not uncommon for private equity funds to carry out an exit of an investment by listing one of the companies previously acquired. Such listing may follow a period of private ownership following a previous de-listing and possible turn-around.

While, in principle, listing is generally open to interested companies, the listing process is generally considered very costly and time consuming if starting 'from scratch'. It is therefore not uncommon for a company contemplating listing to consider whether a listed 'shell-

company', i.e. a company currently listed but without current activities, is available for takeover.

### **Perspectives**

For retail investors, the introduction of SPACs in Denmark would mean additional investment alternatives to the current choices of making direct investments in listed companies, investments through mutual funds holding minority investments in a number of listed companies, or the indirect participation through pension funds. Likewise, the market for raising capital for investment in unlisted companies would expand, likely also resulting in sellers being able to obtain better prices. At the same time, the introduction of SPACs could allow for a faster listing of companies, by combining elements of the advantages of private equity ownership and listing at a much earlier point in time.

However, Danish investors are generally perceived as being somewhat conservative compared to certain other Nordic investors. Due to the major influence of Danish institutional investors, it would likely also be of essential importance to the success of SPACs that such investors are convinced of the advantages, just as it may take time to establish a track-record, convincing retail investors.

**If you have any questions or require further information regarding any of the above, please do not hesitate to contact us:**



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