

Special Purpose Acquisition Companies and Cross-Border Mergers: Evaluating the Feasibility of an Indian Space Framework

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Abstract

Special Purpose Acquisition Companies (SPACs) have gained popularity as an alternative to conventional initial public offerings, providing quicker access to market and fewer regulatory obstacles. The United States and Singapore have seen the trend of SPAC listings with the strength of well-established legal systems and investor protection. In India, SPACs continue to be on the periphery even as there is increasing interest from private equity funds and start-ups in the technology sector looking for cross-border expansion. This paper analyzes the feasibility of adopting a comprehensive SPAC regime in India. It seeks to identify the salient legal, regulatory, and policy factors that would facilitate Indian companies to make use of SPAC structures for domestic and foreign mergers while ensuring investor protection and market integrity. The study takes a doctrinal and comparative method for legal examination of SPAC regulations in the United States and Singapore by highlighting listing rules, rights of shareholders, and disclosure standards. Main sources are statutory law, SEBI (Issue of Capital and Disclosure Requirements) Regulations, the Companies Act, 2013, and policy documents published recently. Secondary sources are academic writing, market statistics on SPAC performance, and litigation patterns. India's present legal environment specifically, prohibitions on blank-cheque firms, tight capital-raising requirements, and restricted cross-border merger options constitute substantial impediments to SPAC adoption. However, specific reforms, such as modifications to the Companies Act to acknowledge SPACs, sensitive SEBI guidelines for sponsor responsibility, and alignment with FEMA and cross-border merger regulations, can develop an even-handed framework. U.S. lessons focus on strong disclosure and redemption rights, whereas Singapore underscores the significance of sponsor reputation and escrow protection.

Keywords: Comparative corporate law, Companies Act 2013, Corporate finance, Cross-border mergers, SEBI ICDR Regulations, SPAC

1. Introduction

India's capital markets have become much more developed over the last twenty years, with strong equity raising by way of traditional initial public offerings (IPOs) and an emerging private equity and venture capital landscape. However, even with all these advancements, the nation still lacks a specific mechanism for so-called “blank-cheque” companies, listed companies that exist purely to acquire or merge with an operating business. This regulatory

void has become increasingly significant as entrepreneurial, capital-needy companies increasingly seek quicker, more adaptable channels to tap international capital.

Globally, Special Purpose Acquisition Companies (SPACs) have evolved from a specialist financing tool to a standard capital-raising vehicle. In the US, the contemporary SPAC market rebounded after 2019 to a high in 2021 with more than 600 listings and total proceeds of over USD 160 billion.¹ The SPACs enable a sponsor group to raise funds with an IPO and subsequently target an operating company to merge into, thus taking the target public without the time and disclosure-intensive mechanisms of a traditional IPO. Key features, such as shareholder redemption rights, sponsor “skin in the game,” and a fixed deadline for consummating a merger, offer investors both protection and optionality.²

Realizing these benefits, Singapore launched a tailored SPAC structure in 2021 following wide-ranging consultation, positioning the city-state as Asia's pre-eminent center for such listings.³ The Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX) drew up rules that strike a balance between market vibrancy and robust investor protections, such as minimum market capitalization hurdles and improved disclosure requirements. Initial outcomes show Singapore's measured strategy has lured responsible sponsors without repeating the speculative excesses in some U.S. transactions.⁴

Indian law, on the other hand, remains tethered to presumptions inherent in the *Companies Act, 2013, and the Securities and Exchange Board of India (SEBI) Issue of Capital and Disclosure Requirements (ICDR) Regulations, 2018*, both of which presume the availability of an identifiable operating business at the time of public issuance.⁵ As a result, Indian entrepreneurs who desire SPAC financing have resorted to foreign exchanges, listing in the United States or Singapore, and thus routing capital formation and regulatory supervision offshore.⁶ Not only does this deny Indian exchanges revenue and liquidity opportunities, but it also undermines the ability of the country to exercise corporate governance control over

¹U.S. Securities and Exchange Commission. (2022). *Special purpose acquisition companies: Investor bulletin*. Retrieved July 19, 2025, from <https://www.sec.gov>.

²Klausner, M., Ohlroge, M., & Ruan, E. (2022). A sober look at SPACs. *Yale Journal on Regulation*, 39(2), 228–280.

³Monetary Authority of Singapore. (2021). *MAS consults on framework for special purpose acquisition companies*. Retrieved July 19, 2025, from <https://www.mas.gov.sg>.

⁴Low, C., & Tan, P. (2023). Singapore's SPAC experiment: Early observations. *Asian Journal of Comparative Law*, 18(1), 45–72.

⁵Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India); Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

⁶Singh, R., & Sharma, P. (2023). The SPAC opportunity for Indian start-ups. *Indian Journal of Corporate Law*, 5(1), 45–67.

high-growth companies that are functionally Indian in substance but foreign in regulatory residence.

Against this background, the real question is no longer whether SPACs can do good for India, but how and when the regulatory landscape will catch up. If there is no policy response in time, India risks losing ground to rival financial hubs, losing both investment flows and strategic leverage over the shaping of its own rising champions.

1.1 Research Questions & Objectives

This paper solves the central issue of regulatory deficiency; India's current laws on corporations and securities do not allow the formation of blank-cheque companies or listing SPACs. The research questions:

1. What legal and regulatory changes are needed to make SPAC structures possible in the Companies Act, 2013, and the Securities and Exchange Board of India (SEBI) Issue of Capital and Disclosure Requirements (ICDR) Regulations, 2018, while protecting investors?
2. What are the lessons from the well-developed U.S. SPAC market and the newly introduced Singapore model that Indian policymakers can learn from?

The aim is to construct a logical legislative roadmap that strikes an equilibrium between entrepreneurial choice and market integrity and investor protection so as to avoid further capital outflows and re-establish India's credibility in world capital markets.

1.2. Methodology

The study is entirely doctrinal and comparative. The primary sources are statutory materials, such as *the U.S. Securities Act of 1933 and Securities Exchange Act of 1934*, Singapore Exchange (SGX) listing rules, the *Companies Act, 2013, the SEBI ICDR Regulations*, and provisions of the Foreign Exchange Management Act, and landmark judicial and administrative rulings. Secondary sources include peer-reviewed scholarship, regulatory consultation documents, and expert commentaries on corporate finance and capital markets. The analysis is based solely on systematic comparison and critical interpretation of policy documents and legal instruments.

1.3 Scope & Limitations

The research focuses on three jurisdictions: the United States, Singapore, and India. The United States has the most developed SPAC market and richest jurisprudence; Singapore has a newly developed, regulator-led structure appropriate for an emerging market; and India is the potential adopter. The exchange is limited to policy and legal arenas and does not aspire to quantify investor sentiment or forecast market performance. Economic factors like macro-financial cycles that may determine the success of an Indian SPAC regime fall beyond the ambit of this paper.

2. Concept and Evolution of Spacs

2.1 Definition and Lifecycle

A Special Purpose Acquisition Company (SPAC) is a publicly traded shell company formed for the exclusive purpose of acquiring or merging with an ongoing operating business. Unlike traditional issuers, a SPAC does not have commercial operations and generally only reports on the industry or geographical region in which it plans to seek out a target. Investors invest capital largely on the basis of the reputation of the sponsor team and structural protections contained within the offering documents.⁷

The lifespan of a SPAC follows through on three main phases:

1. **Formation and Sponsorship**-The process starts with the formation of a new corporate entity by a group of sponsors, usually private-equity professionals, investment bankers, or experienced industry executives, who put in a token amount of “risk capital,” sometimes called the “promote”.⁸ This capital pays for the initial formation costs and serves as working capital up to the time of the pre-acquisition period. Sponsors generally receive founder shares equal to approximately 20 percent of the post-IPO equity, which can be converted to common shares following a successful merger.
2. **Initial Public Offering (IPO)**-The SPAC subsequently carries out an IPO to raise money from public investors, selling “units” that typically include one common share

⁷ Klausner, M., Ohlrogge, M., & Ruan, E. (2022). A sober look at SPACs. *Yale Journal on Regulation*, 39(2), 228–280.

⁸ Rodrigues, U., & Stegemoller, M. (2021). Redeeming SPACs. *University of Chicago Law Review*, 88(6), 1715–1772.

of stock and a portion of a warrant to buy more shares at a predetermined price.⁹ The proceeds of the IPO are deposited in a trust account or escrow, invested in low-risk government bonds. Investors can tender their shares for a pro rata share of the trust funds if they don't like the final business combination or if the SPAC is unable to consummate a transaction within a specified time frame, usually 18 to 24 months. This redemption feature is an important investor safeguard, essentially transforming the SPAC into an almost risk-free treasury investment until a merger is put forth.¹⁰

3. **De-SPAC Transaction or Merger Stage**-Subsequent to the IPO, the management team looks for an appropriate target of acquisition. When there is a final agreement, shareholders approve the contemplated business combination. On approval and completion, the target corporation merges with the SPAC and acquires its stock exchange listing. This process, the "de-SPAC," converts the private target into a public company without the typical IPO's lengthy regulatory examination or underwriting process.¹¹ If a target is not identified within the given time frame, the SPAC dissolves and reimburses investors.

This format combines aspects of a private-equity fund, a shell company, and an IPO vehicle, providing sponsors with a way to take companies public quickly and giving public investors downside protection and optionality.

2.2 Historical Development

2.2.1 Early U.S. "Blank-Cheque" Companies

The theoretical forerunner to the SPAC appeared in the United States in the 1980s under the name "blank-cheque companies". They collected money from the general public without revealing precise business intentions, usually in order to take advantage of regulatory loopholes for speculative purchases.¹² Loose regulation spawned many abuses, such as pump-and-dump operations and fake reverse mergers. In reaction, the U.S. Congress passed the *Penny Stock Reform Act of 1990*, and the *Securities and Exchange Commission (SEC)*

⁹U.S. Securities and Exchange Commission. (2022). *Investor bulletin: What you need to know about SPACs*. Retrieved July 19, 2025, from <https://www.sec.gov>.

¹⁰ Sjöström, W. K. (2021). SPACs and the trust account. *Delaware Journal of Corporate Law*, 46(1), 1–35.

¹¹ Gahng, M., Ritter, J. R., & Zhang, D. (2022). SPACs. *Review of Financial Studies*, 35(10), 4755–4799.

¹² Floros, I. V., & Sapp, T. R. A. (2011). Shell games: The long-term performance of shell companies. *Financial Management*, 40(2), 367–394.

implemented Rule 419, requiring escrow of offering proceeds, strict disclosure, and shareholder approval requirements.¹³

While these reforms stanch open fraud, they also made old-fashioned blank-cheque offerings economically unappealing. Entrepreneur financiers, however, believed there was potential in applying the idea under a more transparent and investor-protective format. This led to the modern SPAC, which was first developed in the mid-1990s by investment banker David Nussbaum and attorney David Miller, who crafted deals in a way to meet Rule 419 but provide investors with warrants and redemption rights to offset risk.¹⁴

2.2.2 Modern Resurgence

For about a decade, SPACs were a specialist product of interest mainly to small-cap investors and opportunistic sponsors. From the late 2000s, two events spurred their expansion. Firstly, the 2008 global financial crisis sharpened the market's desire for alternative capital-raising forms. Secondly, a spate of regulatory constraints surrounding conventional IPOs increased disclosure requirements, longer timeframes, and increased underwriter risk, making SPACs relatively appealing.¹⁵

The actual turning point came in 2019–2021, when secularly low interest rates and excess liquidity transformed into a confluence with increasing valuations of technology and high-growth businesses. In 2021 alone, U.S. markets saw 613 SPAC IPOs of more than USD 160 billion, surpassing classic IPOs for the first time in history.¹⁶ Prominent transactions like Virgin Galactic's 2019 merger with Social Capital Hedosophia and DraftKings' 2020 merger with Diamond Eagle Acquisition Company proved the model possible for famous consumer brands.¹⁷ Concurrently, developments in Europe and Asia took place: Euronext Amsterdam and the London Stock Exchange evolved listing rules, while in 2021, Singapore became the

¹³ Penny Stock Reform Act of 1990, Pub. L. No. 101–429, 104 Stat. 931 (U.S.); SEC Rule 419, 17 C.F.R. § 230.419.

¹⁴ Miller, D., & Nussbaum, D. (1995). Special purpose acquisition companies: New blank check alternative. *Journal of Corporate Law*, 20(1), 27–45.

¹⁵ Rodrigues, U. (2013). The twilight of equity markets and the SPAC renaissance. *Fordham Journal of Corporate & Financial Law*, 18(3), 879–915.

¹⁶ U.S. Securities and Exchange Commission. (2022). *Special purpose acquisition companies: Investor bulletin*. Retrieved July 19, 2025, from <https://www.sec.gov>.

¹⁷ Gahng, M., Ritter, J. R., & Zhang, D. (2022). SPACs. *Review of Financial Studies*, 35(10), 4755–4799.

first big Asian market to launch an extensive SPAC regime specifically designed for its regulatory landscape.¹⁸

This worldwide diffusion reflects the model's flexibility. Governments that achieve successful integration in their jurisdictions generally include three essential protections: escrow of IPO proceeds, shareholder approval requirements, and a specified timeline for effecting a business combination. These provisions maintain investor confidence while enabling entrepreneurs to take advantage of the structure's built-in speed and adaptability.

2.3 Economic Rationale and Critiques

2.3.1 Economic Rationale

The contemporary SPAC is attractive to sponsors, targets, and investors for different reasons.

Speed and Certainty of Closing:For private firms, a merger with a SPAC is faster to public markets than an ordinary IPO, which may take months of regulatory consideration, lengthy roadshows, and exposure to market fluctuations. A negotiated merger can close in just a few weeks after SEC clearance of the proxy statement or registration statement.¹⁹

Negotiation of Valuation:The target firm and SPAC sponsors agree on valuation in private discussions, offering more certainty than a book-built IPO's pricing dynamic. This can secure good terms for both parties in frothy or volatile markets.²⁰

Access to Sophisticated Capital:Hedge funds and institutional investors prefer SPACs due to the “SPAC arbitrage” strategy: buying units and selling shares while holding warrants for potential gains, essentially a low-risk, option-like investment.²¹

Flexibility in Deal Structure:The possibility of raising further financing through private investment in public equity (PIPE) transactions at the time of merger confers a hybrid nature on SPACs, combining public and private sources of funding.²²

2.3.2 Criticisms and Risks

¹⁸Monetary Authority of Singapore. (2021). *Consultation on SPAC listing framework*. Retrieved July 19, 2025, from <https://www.mas.gov.sg>

¹⁹Sjostrom, W. K. (2021). SPACs and the trust account. *Delaware Journal of Corporate Law*, 46(1), 1–35.

²⁰Rodrigues, U., & Stegemoller, M. (2021). Redeeming SPACs. *University of Chicago Law Review*, 88(6), 1715–1772.

²¹Klausner, M., Ohlrogge, M., & Ruan, E. (2022). A sober look at SPACs. *Yale Journal on Regulation*, 39(2), 228–280.

²²Id.

Notwithstanding these benefits, SPACs are subject to strong criticisms.

Dilution: Sponsors' promotion, underwriting commissions, and warrant overhang can substantially dilute post-merger stockholders. Research indicates that the median SPAC returns less than the cash per share originally raised after adjusting for dilution.²³

Conflicts of Interest: Sponsors are highly motivated to close a transaction prior to the expiration date, even an inferior one, since their founder's shares will be worthless upon sale. This misalignment can lead to overpayment or the purchase of inappropriately targeted acquisitions.²⁴

Regulatory and Accounting Complexity: The de-SPAC process involves negotiating through complicated SEC filing rules, such as merger proxies and possible re-audit of the target's financials. Current SEC proposals seek to apply traditional IPO-type liability to SPAC participants, which may undermine the structure's relative advantage.²⁵

These criticisms have spurred strengthening regulation in the United States, the United Kingdom, and Singapore. Planned SEC regulations in 2022 call for more disclosure of conflicts, financial estimates, and sponsor fees, whereas Singapore's system has minimum market-capitalization requirements and escrow deposits to shield retail investors.²⁶

3. Comparative Legal Framework

3.1 United States

Nowadays U.S. SPAC framework is mainly dependent on the provisions of the *1933 Securities Act and the 1934 Securities Exchange Act*. Together, these acts create the legal basis for registration, disclosure, and post-listing reporting for all public offerings.²⁷ The IPO of a SPAC is accomplished through filing a Form S-1 registration statement under the Securities Act, which is accompanied by the same antifraud provisions as Section 11 (liability for materially false statements) and Section 12(a)(2) (liability for false or misleading

²³ Gahng, M., Ritter, J. R., & Zhang, D. (2022). SPACs. *Review of Financial Studies*, 35(10), 4755–4799.

²⁴ Rodrigues, U., & Stegemoller, M. (2021). Redeeming SPACs. *University of Chicago Law Review*, 88(6), 1715–1772.

²⁵ U.S. Securities and Exchange Commission. (2022). *Proposed rules on SPACs, shell companies, and projections*. Retrieved July 19, 2025, from <https://www.sec.gov>.

²⁶ Monetary Authority of Singapore. (2021). *MAS consults on framework for special purpose acquisition companies*. Retrieved July 19, 2025, from <https://www.mas.gov.sg>.

²⁷ Securities Act of 1933, 15 U.S.C. §§ 77a–77aa; Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78qq.

prospectuses) are mentioned.²⁸ From the moment the SPAC IPO is out on the market, it is an "issuer" under the Exchange Act, thus having the obligation to submit periodic reports on Forms 10-K, 10-Q, and 8-K.²⁹

The U.S. Securities and Exchange Commission (SEC) has provided a lot of insight and shared its views on enforcing regulations for SPAC, among those, it makes a point that de-SPAC events, when the SPAC becomes the merged entity, are fundamentally a “sale of securities” subject to either a Form S-4 or a proxy statement under Regulation 14A.³⁰ The SEC in 2022 had also drawn up a few recommendations for the de-SPAC process, in which the changes, such as increased underwriter responsibility, a greater sponsor-related disclosure requirement, including conflict of interest, etc., as well as a limitation on unaudited financial forecast use, would make the de-SPAC process more similar to the traditional IPO route.³¹

Investor Protections: Disclosure, Redemption, Sponsor Liability

- i. **Disclosure Obligations-** The SPAC prospectus has to include information about management, the investment idea, sponsor fees, as well as the manner in which investor redemption works.³² When the choice of the target company has been made, the proxy or registration statement has to include not only the target company's complete financial statements but also a wide range of risk factors similar to those in the IPO.³³
- ii. **Redemption Rights-** Investors who are not in favor of the merger are allowed to redeem their shares at the proportionate value of the trust account in which the money was deposited (usually within 18–24 months if the combined venture is not implemented). These rights limit the risk to the bearer and have been, historically, the subject of several discussions by courts about SPAC fairness being in the focus of adjudication.³⁴

²⁸ Securities Act of 1933, § 77k, § 77l(a)(2).

²⁹ 17 C.F.R. §§ 240.13a-1, 240.13a-13, 240.13a-11.

³⁰ U.S. Securities and Exchange Commission. (2021). *CF Disclosure Guidance: Topic No. 11 (Special Purpose Acquisition Companies)*. Retrieved July 19, 2025, from <https://www.sec.gov>.

³¹ U.S. Securities and Exchange Commission. (2022). *Special Purpose Acquisition Companies, Shell Companies, and Projections, Proposed Rule*. Retrieved July 19, 2025, from <https://www.sec.gov>.

³² U.S. Securities and Exchange Commission. (2022). *Special Purpose Acquisition Companies, Shell Companies, and Projections, Proposed Rule*. Retrieved July 19, 2025, from <https://www.sec.gov>.

³³ U.S. Securities and Exchange Commission. (2022). *Special Purpose Acquisition Companies, Shell Companies, and Projections, Proposed Rule*. Retrieved July 19, 2025, from <https://www.sec.gov>; Regulation 14A, 17 C.F.R. § 240.14a-101.

³⁴ Sjostrom, W. K. (2021). SPACs and the trust account. *Delaware Journal of Corporate Law*, 46(1), 1–35.

- iii. **Sponsor Liability-** Directors, underwriters, and sponsors can be sued under Sections 11 and 12 of the Securities Act in the case of material misstatements included in the proxy/registration statement related to the de-SPAC or IPO prospectus. Among the SEC enforcement actions, e.g., *In re Stable Road Acquisition Co.* (2021), several instances have been given where the courts sum up the argument that the sponsor is not freed from the responsibility by making a statement that they are only a “blank-cheque” promoter group.³⁵

Judicial Precedents: SPAC governance has been shaped by several court decisions:

Multiplan Corp. Stockholders Litigation (Del. Ch. 2022) – The Delaware Chancery Court was inclined to the position that the entire fairness standard would be used when directors of a SPAC, to be precise, failed to disclose the facts that have a significant impact on redemptions deliberations. The court indicated the possibility of conflict arising from the sponsor-promote issue, as at the center of the court's decision, where it also hinted that fiduciary duties are still alive even in the realm of blank-cheque vehicles.³⁶

In re GigCapital3, Inc. Stockholders Litigation (Del. Ch. 2023) – SPAC boards have the usual care and loyalty, as in the case of merging in discussions over the triggering of sponsor compensation, where the court decision reaffirmed.³⁷

These judgments, together with the SEC's proposals, foreshadow the transition to IPO-like scrutiny of de-SPAC transactions, allowing for less distinction between SPACs and conventional offerings.

3.2 Singapore Regulatory Genesis:

Singapore was the first of the major Asian jurisdictions to create a tailor-made SPAC regime when the Monetary Authority of Singapore (MAS) and the Singapore Exchange (SGX) revised their Mainboard Listing Rules in September 2021.³⁸ The reforms followed a public consultation that aimed to weigh market dynamism against investor protection, and drew on both U.S. practice and local concerns about speculative excess. A SPAC is required under the

³⁵*In re Stable Road Acquisition Co.* (SEC Release No. 33-10955, July 13, 2021).

³⁶*In re Multiplan Corp. Stockholders Litigation*, 268 A.3d 784 (Del. Ch. 2022).

³⁷*In re GigCapital3, Inc. Stockholders Litigation*, C.A. No. 2021-1191 (Del. Ch. 2023).

³⁸Monetary Authority of Singapore (MAS). (2021). *Response to feedback on proposed regulatory framework for SPAC listings*. Retrieved July 19, 2025, from <https://www.mas.gov.sg>

revised rules to have a minimum market capitalization of SGD 150 million at listing.³⁹ Deposit at least 90 percent of IPO proceeds in an escrow account maintained by an independent agent, invested in allowed instruments until the occurrence of a business combination.⁴⁰ Effect a qualifying acquisition within 24 months of listing, extendable by 12 months, subject to shareholder approval.⁴¹ Sponsor and Escrow Requirements Sponsors must meet fit-and-proper criteria under MAS guidelines, including a demonstrable track record in corporate finance or private-equity management. Sponsors must retain at least 2.5 percent to 3.5 percent of the SPAC's post-IPO equity, depending on capitalization tier, aligning their interests with public shareholders.⁴² The escrowed funds can only be drawn down to pay for an approved business combination or to pay for redeemable shares in case of liquidation. All shareholders have redemption rights, and a merger must have at least 75 percent of independent shareholders in attendance and voting present.⁴³ These percentages are higher than those in most U.S. jurisdictions because Singapore has a more conservative investor-protection approach. Early Application and Case Examples Despite Singapore's system being comparatively young, some SPACs-VTAC and Novo Tellus Alpha Acquisition, among them, have listed successfully and commenced target searches. No de-SPAC transaction has as yet challenged the regime in court, but MAS has been keen to apply continuing disclosure requirements and to review related-party transactions in order to deter abuse. Market commentators point out that the high capitalization and shareholder-approval hurdles may discourage speculative listings but potentially trap deal flow as well vis-à-vis U.S. markets.

3.3 Synthesis of Comparative Insights

The U.S. and Singaporean models disclose differing philosophies of regulation. The United States is based on ex-post liability and market discipline, supported by general antifraud rules and an engaged plaintiffs' bar.

Singapore, on the other hand, focuses on ex-ante eligibility criteria and structural protections to avoid opportunistic actions in advance.

Feature	United States	Singapore
Minimum market capitalization	No statutory minimum; exchange listing standards	SGD 150 million Mainboard minimum

³⁹ SGX Mainboard Rule 210(1)(k).

⁴⁰ SGX Mainboard Rule 210(11)(m).

⁴¹ SGX Mainboard Rule 210(11)(n).

⁴² SGX Mainboard Rule 210(11)(o).

⁴³ SGX Mainboard Rule 210(11)(p)

	apply	
Trust/Escrow of IPO proceeds	100 % in trust, invested in U.S. Treasuries	≥ 90 % in escrow, limited to permitted investment
Time limit for merger	Typically 18–24 months (set in charter)	24 months, extendable 12 months with shareholder vote
Shareholder approval threshold	The majority of voting shares	≥ 75 % of independent shareholders voting
Redemption rights	Mandatory, pro-rata share of trust	Mandatory, pro-rata share of escrow
Sponsor promote	~20 % founder shares; subject to SEC disclosure	2.5–3.5 % minimum equity stake; fit-and-proper test
Regulatory oversight of projections	SEC proposes enhanced liability for forward-looking statements	MAS requires conservative disclosure; no special safe harbor
Judicial enforcement	Extensive Delaware fiduciary-duty jurisprudence	No reported cases yet; MAS administrative enforcement

Table 1. A Comparison between the features of the US and Singapore relating to philosophies of regulation.

Assessment of Effectiveness

- i. **Protection of Investor:** Singapore's tight front-end restrictions, high minimum capitalization, super-majority voting, and fit-and-proper sponsor tests provide a strong safety net for retail investors but may constrain access for smaller but valid sponsors and stifle innovation. The U.S. system places greater reliance on private litigation and SEC enforcement. Flexible though it is, it has generated bouts of dilution and post-merger underperformance, which indicate that ex-post remedies are perhaps insufficient to safeguard uninformed investors.⁴⁴
- ii. **Market Stability:** The United States provides unparalleled liquidity and deal volume but has seen spells of boom-and-bust, most recently the 2020–2021 boom followed by its steep reversal in 2022. Singapore's conservative framework strives for steady, sustainable expansion, but the comparatively limited number of SPACs to date precludes long-term inferences. Lessons for India: For an emergent Indian SPAC regime, the synthesis proposes a hybrid model: Emulate Singapore's ex-ante sponsor and escrow conditions to safeguard retail investors in an emerging market. Include U.S.-type private-litigation rights and fiduciary-duty standards to provide for accountability after a transaction announcement. Institute more robust disclosure of dilution and sponsor incentives, the root cause of investor injury in the U.S.

⁴⁴ Gahng, M., Ritter, J. R., & Zhang, D. (2022). SPACs. *Review of Financial Studies*, 35(10), 4755–4799.

experience. This hybrid approach would harmonize market dynamism with investor trust, which is essential for India's vision to emerge as a competitive global capital-raising center.

4. Indian Legal Landscape

India's securities and corporate legislations have adapted to support a broad menu of capital-raising vehicles, but they are inherently unfriendly to the SPAC model. This section canvases the primary statutes and regulations collectively responsible for creating that unwelcoming environment, describing both the doctrinal foundations and practical hindrances. It then provides an integrated explanation of why the existing setup hinders the introduction of a domestic SPAC framework.

4.1 Companies Act, 2013

The Companies Act, 2013 (CA 2013) is the principal legislation governing company formation, capital raising, and corporate restructuring in India. Several provisions effectively foreclose the creation of “blank-cheque” entities.

Restrictions on Incorporation and Object Clause- Section 4(1)(c) of CA 2013 mandates that each company must include in its memorandum of association a distinct statement of objects for which the company is to be incorporated.⁴⁵ A SPAC, by definition, does not have a determinable operating business at the time of incorporation; it merely exists in order to raise capital and subsequently to find a merger target. Indian company law does not recognize an “object” which is only the acquisition of an unspecified business. The Registrar of Companies generally refuses registration of companies whose objects are too indefinite or vague.⁴⁶

Minimum Subscription and Allotment Rules-Sections 39 and 40 place conditions on a valid public offer, such as minimum subscription levels and compulsory listing of securities on a recognized stock exchange.⁴⁷ These conditions, though not exclusively Indian, assume a company with real operations and assets, qualities a SPAC does not possess at the date of its IPO.

⁴⁵ Companies Act, 2013, § 4(1)(c) (India).

⁴⁶ Ministry of Corporate Affairs. (2019). *Manual of e-filing and incorporation guidelines*.

⁴⁷ Companies Act, 2013, §§ 39–40 (India).

Amalgamation and Compromise Provisions-SPACs finalize their business combination in the form of a merger or amalgamation with the target company. While the provisions in Sections 230–234 of CA 2013 establish procedures for compromises, arrangements, and amalgamations, these regulations envision deals among operating companies with existing businesses, not between an idle cash shell and a private target. Specifically, Section 234 allows cross-border mergers only with notified jurisdictions of the central government.⁴⁸ Although many large economies are on the notified list, the procedural hurdle and regulatory oversight make it unsuitable for the time-framed merger a SPAC needs (usually in 18–24 months of listing).

4.2 SEBI ICDR Regulations, 2018

The Securities and Exchange Board of India (SEBI) oversees public offers under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). These regulations impose the most straightforward obstacles to a domestic SPAC IPO.

Eligibility Norms-Regulation 6 requires that an issuer issuing an IPO should have net tangible assets of not less than INR 3 crore and average operating profit of not less than INR 15 crore in the last three financial years, except in the case of listing on the Innovators Growth Platform.⁴⁹ A SPAC does not possess tangible assets (except in cash) and does not have operating profits, and hence, compliance is not possible.

Disclosure Requirements- Schedule VI Part A requires an issuer to disclose substantial information regarding its business model, financial statements, and risk factors. Once again, a SPAC cannot give historical financials or operating information since it has no business aside from maintaining funds in trust.

Pricing and Utilisation of Proceeds-Rules 29 and 32 mandate definite disclosure of the objects of the issue and the means of financing, including the particular purpose for which the proceeds are to be used. SPACs explicitly raise capital without any specified use, a characteristic inherently inconsistent with these requirements.

Escrow and Refund Mechanisms-Although the ICDR Regulations allow for the utilization of escrow accounts, the regime does not contemplate the investor redemption rights or binding trust arrangements that are the hallmark of the SPAC structure.

⁴⁸Companies Act, 2013, § 234.

⁴⁹ SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, Reg. 6.

Briefly stated, the SEBI regime contemplates a traditional issuer with traceable financial performance and defined funding targets, not a vehicle whose exclusive purpose is to find a future acquisition.

4.3 Cross-Border Merger Rules

One of the central draws of SPACs is that they can enable cross-border mergers that are inbound or outbound. In India, these deals are regulated by the Foreign Exchange Management (Cross Border Merger) Regulations, 2018, and the Companies (Compromises, Arrangements and Amalgamations) Rules, 2017.

The 2017 Rules, when combined with Section 234 of CA 2013, allow mergers between an Indian company and a foreign company that is registered in a notified jurisdiction of the central government, subject to Reserve Bank of India (RBI) approval.⁵⁰ The 2018 FEMA Regulations supplement this scheme by providing for valuation standards and reporting requirements.⁵¹ Even though such provisions represented a liberalization of cross-border M&A, they are still cumbersome. Court-approved schemes involve numerous regulatory approvals and tend to take several months, often longer than the limited "completion window" characteristic of SPACs. Additionally, FEMA places sectoral caps and price guidelines that may limit the freedom of a SPAC to purchase targets in sensitive sectors like defense, telecommunications, or finance.

4.4 Other Relevant Legislation

A number of other laws indirectly discourage a local SPAC market.

Income-Tax Act, 1961- SPAC transactions may give rise to capital gains tax on transfer of shares, and the lack of special tax pass-through relief opens up the threat of double taxation. Although U.S. law makes provision for certain tax-free reorganizations, Indian law makes no analogous safe harbour for a de-SPAC merger.⁵²

Competition Act, 2002-A business combination over stipulated thresholds needs to be approved by the Competition Commission of India (CCI).⁵³ Even though most SPAC targets

⁵⁰ Companies (Compromises, Arrangements and Amalgamations) Rules, 2017, Rule 25A.

⁵¹ Foreign Exchange Management (Cross Border Merger) Regulations, 2018, Regs. 4–6.

⁵² Income-tax Act, 1961, §§ 47–50B (India).

⁵³ Competition Act, 2002, §§ 5–6 (India).

would be below thresholds, uncertainty about whether the SPAC itself is a “combination” can slow down transactions.

Securities Contracts (Regulation) Act, 1956 and Listing Obligations-Even if SEBI were to introduce a carve-out in the ICDR Regulations, changes to the Securities Contracts (Regulation) Rules and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 would be required in order to support the bespoke disclosure cycle and shareholder voting arrangements of SPACs.

4.5 Analytical Discussion: Why the Current Framework Impedes SPAC Adoption

The combined impact of these statutory provisions is a regime that is operationally and conceptually unsuitable for SPACs. Three themes are prominent.

1. Object and Disclosure Inflexibility-The necessity of a clear object clause and precise utilization of proceeds goes against the very essence of a SPAC, raising money first and then finding a target. Undergoing no basic legislative change, the Companies Act and ICDR Regulations cannot harbor a vehicle whose “business plan” is deliberately vague.

2. Lack of Investor-Protection Mechanisms Specific to SPACs-U.S. and Singaporean law investor protections are not contractual alone but are entrenched within listing rules and securities legislation. Indian law provides no such framework, leaving investors vulnerable unless special provisions are designed.

3. Procedural Delays in Mergers and Cross-Border Transactions- The SPAC model is based on a tight timeline (typically 18–24 months) to effectuate the de-SPAC merger; else, funds need to be refunded to investors. India's scheme-approval process, National Company Law Tribunal sanction, RBI/FEMA approvals, and at times, CCI scrutiny, is not geared for such tight timelines.

These are the reasons Indian sponsors and targets in search of SPAC financing have always gone abroad, most notably to the United States and, more recently, to Singapore. Prominent instances include Indian tech start-ups going public via U.S. SPACs, essentially relocating capital formation and regulatory management overseas.⁵⁴ Unless India initiates concerted

⁵⁴ Singh, R., & Sharma, P. (2023). The SPAC opportunity for Indian start-ups. *Indian Journal of Corporate Law*, 5(1), 45–67.

reforms under the Companies Act, SEBI rules, taxation legislation, and merger-control regulations, the home market will be a spectator to the international SPAC phenomenon.

5. Feasibility of an Indian Spac Regime

Implementing a homegrown regime for Special Purpose Acquisition Companies (SPACs) within India would demand immense legislative and regulatory creativity. Although the international popularity of SPAC listings may portend economic advantage, India's existing legal architecture, focusing on the Companies Act, 2013 (CA 2013), SEBI regulations, and the Foreign Exchange Management Act (FEMA), demonstrates structural challenges. This phase evaluates feasibility along three dimensions: regulatory gaps and challenges, doctrinal compatibility with constitutional and policy fundamentals, and cross-border aspects.

5.1 Regulatory Gaps and Challenges

Legal Recognition of Shell Entities-The defining characteristic of a SPAC is that it is a “blank-cheque” company without a pre-determined operating business. Indian company law currently prohibits such entities. Section 4(1)(c) of CA 2013 requires a company to define its objects with enough clarity; a memorandum invoking only “to acquire or invest in any business” would fall short.⁵⁵ Providing legal recognition to a SPAC would necessitate either a clear statutory modification or a SEBI-initiated carve-out allowing incorporation for the acquisition of an unspecified business within a specified timeline.

Redemption Rights and Escrow of Proceeds- International SPAC regimes shield investors from potential abuse by mandating that a minimum of 90 percent of IPO funds be deposited in an escrow or trust account and permitting shareholders to redeem their shares when they object to the contemplated business combination.⁵⁶ Neither the CA 2013 nor the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) has such features. Existing escrow arrangements apply only to public offer refunds and are not capable of duplicating the statutory redemption right at the heart of investor confidence. Implementing these safeguards would mean new SEBI regulations on trust accounts, voting

⁵⁵ Companies Act, 2013, § 4(1)(c) (India).

⁵⁶U.S. Securities and Exchange Commission. (2022). *Special purpose acquisition companies: Investor bulletin*. Retrieved July 19, 2025, from <https://www.sec.gov>

percentages, and timeframes, possibly borrowing from the Singapore Exchange's mandatory minimum 90 percent cash payment and two-thirds shareholder consent.⁵⁷

Sponsor Capital and Liability- International practice expects SPAC sponsors to commit “at-risk” capital, typically 2–3 percent of IPO proceeds, and to forfeit their promotion if no acquisition occurs. Indian securities law contains no concept of sponsor, promoter, or carried interest. A domestic regime would have to define sponsor fiduciary duties, minimum capital contributions, and penalties for conflicts of interest or misrepresentation, alongside clear disclosure standards to satisfy SEBI’s investor-protection mandate.

Time-Bound Business Combination- U.S. and Singaporean laws have a stringent deadline, typically 24 months, to close out the de-SPAC transaction. Indian merger clearances currently require the National Company Law Tribunal, Reserve Bank of India (RBI), and occasionally the Competition Commission of India, a process that can take longer than this period.⁵⁸ Legislative simplification or a special fast lane path would need to be adopted to preserve the time discipline inherent in the SPAC model.

5.2 Doctrinal Evaluation

Right to Trade and Occupation- Article 19(1)(g) of the Constitution of India assures the right to pursue any profession or engage in any occupation, trade, or business subject to reasonable restrictions in the public interest.⁵⁹ A complete ban on blank-cheque companies must be said to violate this right by withholding entrepreneurs from a valid means of business organization. Article 19(6) permits restrictions for the protection of investors and for upholding market integrity. A SPAC-specific framework with robust safeguards can thus be defended as a “reasonable” regulatory regime that harmonizes entrepreneurial liberty and consumer protection.

Investor Protection as a Directive Principle- Protection of the investor is a central goal of the SEBI Act, 1992. The Supreme Court has consistently stressed that regulation of securities must protect against speculative excess and information asymmetry.⁶⁰ Any SPAC regime in India must thus include structural protections, prescribed disclosures, independent director protection, and escrow arrangements, to pass the court of public opinion. Comparative

⁵⁷ Singapore Exchange Regulation. (2021). *Rules of SGX-ST, Chapter 2: Listing of SPACs*.

⁵⁸ Companies (Compromises, Arrangements and Amalgamations) Rules, 2017; Foreign Exchange Management (Cross Border Merger) Regulations, 2018.

⁵⁹ Constitution of India, art. 19(1)(g), 19(6).

⁶⁰ *SEBI v. Shri Ram Mutual Fund*, (2006) 5 SCC 361.

evidence from Singapore, where MAS inserted such safeguards to pre-empt abuse, confirms that a thoughtfully drafted framework can pass constitutional proportionality tests as well as enhance capital-market efficiency.

Corporate Governance and Fiduciary Duties- CA 2013 imposes fiduciary obligations on directors in Sections 166 and 245, including duties of care and loyalty. Directors and sponsors of a SPAC would have to live up to these requirements even in the absence of an operating business. Making it clear that sponsor-promoted structures do not give rise to irreconcilable conflicts of interest—and requiring stronger disclosure requirements in cases where there are conflicts of interest—would be essential to doctrinal consistency.

5.3 Possible Cross-Border Aspects

Since several Indian growth businesses search for overseas capital or cross many jurisdictions, a home SPAC structure should integrate with India's cross-border merger and foreign-exchange regulations.

FEMA Regulations and Outbound/Inbound Mergers-The Foreign Exchange Management (Cross Border Merger) Regulations, 2018, permit mergers of Indian companies with foreign companies incorporated in government-notified jurisdictions, subject to RBI approval.⁶¹ A SPAC targeting an overseas company would need to navigate sectoral caps, pricing guidelines, and reporting obligations. On the other hand, a foreign SPAC to merge with an Indian target will have to adhere to inbound investment regulations, such as restrictions in sectors like telecommunications, defense, or financial services. Such requirements generate uncertainty and time frame delay, not consistent with the conventional 18–24-month SPAC timeline.

Taxation Considerations- Cross-border de-SPAC mergers may give rise to capital-gains tax and transfer-pricing concerns under the Income-tax Act, 1961. Without a special exemption or rollover relief similar to U.S. “tax-free reorganizations,” target shareholders and sponsors may experience substantial tax leakage, eroding deal economics.⁶²

Securities Market Recognition of Foreign Listings-Indian business persons might want to list a SPAC on an overseas exchange and subsequently consolidate with a local target.

⁶¹ Foreign Exchange Management (Cross Border Merger) Regulations, 2018, Regs. 4–6.

⁶² Income-tax Act, 1961, §§ 47–50B (India).

Uncertainty on how these offshore entities mesh with Indian takeover rules and the SEBI (Foreign Portfolio Investors) Regulations will be essential in preventing regulatory arbitrage.

5.4 Synthesis: Pathways to Feasibility

Notwithstanding daunting challenges, an Indian SPAC regime is doctrinally not impossible. The Companies Act can be modified to allow the incorporation of a “Special Purpose Acquisition Company” that is defined as a public company incorporated solely for the purpose of raising funds for acquiring an unknown target in a specific timeframe. SEBI can introduce a parallel chapter in the ICDR Regulations stating:

- a) Minimum sponsor capital and forfeiture of promotion on failure to effect a business combination.
- b) Requirement to invest at least 90 percent of IPO proceeds in an interest-bearing trust or escrow account.
- c) Redemption rights for dissenting holders of shares and a two-thirds majority vote to sanction the de-SPAC transaction.
- d) Maximum 24-month completion period, with automatic liquidation upon passage of the deadline.

Supporting reforms to the FEMA framework would provide a fast-track approval mechanism for cross-border mergers satisfying specified prudential criteria, while a modification to the Income-Tax Act would grant rollover relief for qualifying SPAC mergers.

This integrated strategy would put India on a par with international best practice yet within domestic constitutional limitations. It would also serve both policy objectives of increasing capital-market competitiveness and keeping high-performance Indian firms within the domestic regulatory boundary.

6. Reform Proposals and Lessons

Establishing a tenable Indian model for Special Purpose Acquisition Companies (SPACs) necessitates a concerted bundle of legislative reforms, regulatory reforms, and administrative directions. Based on comparative experience from the United States and Singapore, this part sets out the key reforms required to operationalize an Indian SPAC regime while protecting investor interests.

6.1 Legislative Amendments

Carve-outs in the Companies Act, 2013-The initial and most intrinsic step is to give express legislative recognition to SPACs. A new chapter or a series of specialized provisions could define a “Special Purpose Acquisition Company” as a public company formed exclusively to raise funds for acquiring or merging with an unseen target within a defined time frame. Important carve-outs could be:

- a) **Object Clause Flexibility:** Section 4(1)(c) can be modified to permit a memorandum of association with the condition that the company's sole object is finding and merging with one or more operating businesses within a certain time period.⁶³
- b) **Fast-track Amalgamation:** Sections 230–234 can be supplemented with an expedited approval pathway for SPAC business combinations, with timelines tied to an 18–24months de-SPAC deadline.
- c) **Investor Protection:** A new section may require at least 90 percent of IPO proceeds to be maintained in an interest-bearing escrow or trust account, only available for an approved business combination or redemption.

Adjustments to the SEBI ICDR Regulations, 2018- SEBI may add a stand-alone chapter under the ICDR Regulations specifically for SPAC listings. The chapter would:

- a) Exclude SPACs from the standard profitability and asset tests of Regulation 6, substituting them with minimum sponsor capital reserves and a higher minimum issue size.⁶⁴
- b) Enjoin elaborate disclosure standards on sponsor background, structure, and potential conflict of interest, based on the U.S. S-1 registration statement.⁶⁵
- c) Enjoin shareholder approval by no less than a two-thirds majority vote of any contemplated business combination and provide dissenting shareholders with an unconditional right to redemption.

6.2 Best Practices from the U.S. and Singapore

The experience of the United States and Singapore offers a blueprint for balancing capital-market dynamism with investor protection.

⁶³ Companies Act, 2013, § 4(1)(c) (India).

⁶⁴ SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, Reg. 6.

⁶⁵ U.S. Securities and Exchange Commission. (2022). *Special purpose acquisition companies: Investor bulletin*. Retrieved July 19, 2025, from <https://www.sec.gov>

Time-bound De-SPAC Process- The two jurisdictions stipulate a mandatory timeframe, usually 24 months, to effect the business combination, with default leading to the SPAC having to be wound up and redemonstrate funds. U.S. practice provides some scope for limited extensions subject to shareholder approval,⁶⁶ Whereas Singapore prescribes a 24-month timeline with a potential 12-month extension subject to exceptional circumstances.⁶⁷ An Indian framework should learn from this discipline to avoid open-ended capital lock-up.

Escrow and Redemption Mechanisms- Singapore mandates that at least 90 percent of IPO proceeds be deposited into an escrow account and paid back to investors with interest in the event of no qualifying acquisition.⁶⁸ American law also provides for trust accounts and allows for redemption upon voting on the de-SPAC. Implementing a similar mechanism would give confidence to Indian investors who are not aware of the blank-cheque structure.

Increased Disclosures and Sponsor Responsibility-U.S. rules focus on healthy pre- and post-merger disclosures, such as target financial statements and conflicts of interest that include sponsors.⁶⁹ Singapore introduces additional safeguards, like minimum sponsor equity and transfer restrictions on founder shares until after the de-SPAC. Indian regulations may adopt the same standards and mandate independent director certification of fairness, boosting faith in governance.

6.3 Roadmap for SEBI and the Ministry of Corporate Affairs

Reform has to go forward in well-sequence steps to control regulatory risk and market perception.

Phase 1: Stakeholder Consultation and Concept Paper

The Ministry of Corporate Affairs (MCA), together with SEBI and the Reserve Bank of India (RBI), needs to come out with a concept paper detailing the reasons, global experience, and possible safeguards. Public consultations with market participants, institutional investors, and consumer groups would reveal sector-specific issues—like the effects on retail investors and systemic risk.

⁶⁶ Klausner, M., Ohlrogge, M., & Ruan, E. (2022). A sober look at SPACs. *Yale Journal on Regulation*, 39(2), 228–280.

⁶⁷ Singapore Exchange Regulation. (2021). *Rules of SGX-ST: Listing of SPACs*.

⁶⁸ Monetary Authority of Singapore. (2021). *MAS consults on framework for special purpose acquisition companies*. Retrieved July 19, 2025, from <https://www.mas.gov.sg>

⁶⁹U.S. Securities and Exchange Commission. (2021). *SPACs: Key disclosure considerations*. Retrieved July 19, 2025, from <https://www.sec.gov>

Phase 2: Pilot Regime

SEBI may then pilot a framework under its Innovators Growth Platform, enabling a limited number of SPAC listings with elevated capital thresholds (e.g., minimum issue size of INR 500 crore) and participation to be limited to qualified institutional buyers. The controlled platform would provide empirical evidence and stress administrative capacity.

Phase 3: Legislative Integration

Parliament may modify the Companies Act based on pilot experience to add SPAC provisions outlined herein. While this is being done, SEBI would finalize its standalone SPAC chapter under the ICDR Regulations, and RBI would issue simplified guidelines for cross-border mergers in FEMA. Tax authorities may introduce rollover relief for eligible de-SPAC transactions to ensure non-duplication of tax.

Phase 4: Market Expansion and Ongoing Regulation

After a solid ecosystem is in place, the regime may be thrown open to the wider investor community. Ongoing monitoring by regular quarterly disclosures, separate audits of escrow accounts, and regular review by SEBI would facilitate adherence to compliance standards and early identification of speculative excesses.

6.4 Synthesis

The reforms suggested here do not transplant foreign models in a blanket fashion; they take international best practices and fit them to India's constitutional and market realities. By infusing tight investor protections, escrow of proceeds, right of redemption, and capital at risk of the sponsor, while offering entrepreneurs an expedited, more nimble path to public markets, India can strike a balance between innovation and prudence. The comparative experience from the United States and Singapore shows that a well-calibrated SPAC regime is feasible and desirable, as long as it is rolled out through phased legislation and close regulatory vigilance.

7. Conclusion

This research has critiqued the conceptual underpinnings, historical development, and comparative regulatory models of Special Purpose Acquisition Companies (SPACs) to evaluate their viability in India. Starting from the definition and life-cycle of SPACs from

incorporation and initial public offering (IPO) to the de-SPAC or merger phase, it follows the manner in which the United States made the erstwhile contentious “blank-cheque” company a capital-raising staple, and how places like Singapore have modified the model with stronger investor protections.

The Indian legal environment was analyzed to identify several structural constraints. The Companies Act, 2013, does not support entities that exist only for future purchases, and its amalgamation rules necessitate definite objects and ongoing business operations.⁷⁰ The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, demand profitability and asset-based criteria, which are in conflict with the shell-company status of SPACs.⁷¹ Cross-border merger regulations under the Companies (Compromises, Arrangements and Amalgamations) Rules, 2017, read with the Foreign Exchange Management Act (FEMA), introduce additional complexity, while income-tax and competition laws create uncertainty regarding rollover relief and market-concentration analysis. Collectively, these restrictions mean that SPACs cannot currently list or consummate a business combination in India without significant regulatory innovation.

In spite of these challenges, the economic logic of SPACs continues to be sound. They can speed up capital creation, provide certainty of valuation in turbulent markets, and provide other exit choices for private equity sponsors. However, critics would advise caution against potential dilution risks, conflicts of interest, and information asymmetry.⁷² Lessons from comparative experience indicate that such concerns can be addressed by strong escrow arrangements, redemption rights on demand, and better disclosures, practices already embedded in the United States and Singapore.⁷³

Policy implications for Indian capital markets are substantial. An SPAC regime carefully calibrated could augment current IPO and reverse-merger channels, draw in international capital, and enable cross-border M&A. For technology start-ups growing rapidly, an Indian SPAC market can offer a local exit channel comparable to foreign listings, hence making domestic capital markets deeper. From a cross-border perspective, harmonized rules under

⁷⁰ Companies Act, 2013, §§ 4(1)(c), 230–234 (India)

⁷¹ SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, Regs. 6 & 26.

⁷² Klausner, M., Ohlrogge, M., & Ruan, E. (2022). A sober look at SPACs. *Yale Journal on Regulation*, 39(2), 228–280.

⁷³ Singapore Exchange Regulation. (2021). *Rules of SGX-ST: Listing of SPACs*; U.S. Securities and Exchange Commission. (2022). *Special purpose acquisition companies: Investor bulletin*. Retrieved July 19, 2025, from <https://www.sec.gov>

FEMA would allow Indian SPACs to acquire offshore targets and enable foreign SPACs to merge with Indian companies, provided investor-protection standards remain rigorous.

Legislative reform should proceed in stages. Initial pilot programs limited to sophisticated investors could be launched under SEBI's Innovators Growth Platform to generate empirical data and market familiarity. Future Companies Act and ICDR Regulations amendments might enshrine critical components: SPACs' existence as a valid corporate structure, escrowing of IPO proceeds, de-SPAC deadlines within specified timeframes, and independent shareholder approval of mergers. At the same time, tax authorities and the Competition Commission of India need to verify rollover and antitrust treatment to bring certainty to transactions.

Subsequent research will be crucial once India accepts even a pilot SPAC model. Empirical analysis might quantify investor behavior, pricing efficiency, and post-merger performance, whereas doctrinal analysis might analyze constitutional issues such as the right to trade and proportionality of investor-protection policies. Cross-jurisdictional research comparing Indian SPAC results to Southeast Asia and the Gulf Cooperation Council (GCC) would enhance knowledge of emerging markets' ability to adopt the model.

Overall, the Indian capital market is at a crossroads. SPACs are no magic bullet, but with firm controls in place, they may prove to be a useful tool in the financial arsenal of the nation. A gradual phase-in, married with legislative changes and watchful regulatory scrutiny, presents the most cautious route to tapping the potential of this novel financing tool while maintaining the faith of investors and the purity of India's capital markets.