

18<sup>th</sup> October, 2021

RE: Special Purpose Acquisition Companies CP

By email: Response@hkex.com.hk

Dear Sir/Madam,

**Response to the Exchange's Consultation Paper on Special Purpose Acquisition Companies**

The Hong Kong Venture Capital and Private Equity Association (HKVCA) generally supports the Exchange's proposal to provide a listing route for special purpose acquisition companies (SPACs). It is a viable proposal to diversify the types of issuers and exit routes, while the report also considered, and indeed was mindful of, consistency with the existing listing regime.

SPACs listings have been very popular in the US in the last two years, and other leading stock exchanges have been relaxing their existing regimes to accommodate these potential IPO applicants. Hong Kong should not delay plans to offer an additional feasible listing rule for this group of market participants. However, we would suggest examining the market demand for SPACs listings in Hong Kong, in light of the lackluster take up of listings under the Chapter 21 listing rule, before implementing new rules. Both chapter 21 and the proposed new SPAC rules have some common investor protection features, and we know from experience the chapter 21 rules need to be revisited if they are to provide a viable alternative listing route for investment vehicles.

The Hong Kong SPAC proposal is very different from rules in the US, Netherlands, UK and Singapore. The investor protection requirements are higher and retail investors are unable to participate in SPAC trades. These hurdles will likely mean that issuers will choose other stock exchanges over Hong Kong. The depth of liquidity as well as significant numbers of international institutional investors are key to Hong Kong remaining a leading stock market in the world. If the rule does not strengthen the position of HKEx, it may end up harming its reputation in the longer run.

The HKVCA is delighted that HKEx is open to hearing our industry's feedback on the SPACs consultation. The Association would be keen to submit further comments, if requested, aimed at optimizing the listing regime as we work together to strengthen Hong Kong's position as a private equity fund hub.

Your Sincerely,



Bonnie Lo

Chair, HKVCA Technical Committee

### **About the HKVCA**

The HKVCA is a member-based trade association which was established in Hong Kong in 1987. It currently has 480 members of whom 300 are Hong Kong based private equity managers across the full spectrum of the industry from venture capital, through growth capital and growth buyouts to institutional fund investors, fund of funds and secondary investors. HKVCA represents small teams investing in start-ups as well as the world's 10 largest private equity firms.