

Global equity capital markets: regional perspectives and outlook for 2021

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While 2020 was a turbulent year, it was also a dynamic year for the global equity markets (ECM).

Though the pandemic caused a global slowdown in ECM in the first half of 2020, IPO activity in the second half, primarily driven by companies seeking listing on the NASDAQ, Hong Kong Stock Exchange and London Stock Exchange, picked up significant momentum, resulting in a quick recovery and a record high of over USD\$330 billion capital raised across over 1,590 listings.

Aside from the pandemic, increased tension between China and the 2020 US presidential election, Brexit, vaccination roll-outs and government economic stimulus programmes, all contributed to a rollercoaster year for ECM. But despite this backdrop of uncertainty, major US indices ended 2020 on near all-time highs.

There was an increased number of US and Chinese companies seeking listings, and IPO activity was dominated by the technology, e-commerce and healthcare industries. The US also saw a considerable increase in special purpose acquisition company (SPAC) activity, with a total of approximately US\$83 billion raised in 2020 by SPAC IPOs.

What will shape ECM in 2021?

SPACs

The heightened level of SPAC activity has continued well into 2021. SPACs in the US have become the centre of attention for investors, regulators and financial analysts and a total of 462 SPACs filed for IPO in the first quarter of 2021 alone - representing approximately 82.7% of the total SPACs for the entire year of 2020.

Private companies are flooding to SPACs to put a reverse spin on the traditional IPO process and gain a public listing, and with new laws and regulations to help bolster investor confidence, we expect to see even more SPACs in the second quarter of this year.

It is also likely there will be an increase of de-SPAC processes as SPACs pursue acquisition targets across all sectors, but potentially more so in the technology sectors.

The growing importance of ESG

In the last few years, environmental, social and governance investing (ESG), has evolved into a financial industry megatrend. Instead of fading out as a result of the global health crisis, the pandemic has accelerated investor appetite for sustainable finance and reinforced the need for companies to build resilience in the face of major disasters.

There will likely be an increase in green, social and sustainability bonds in the debt space and a continued evolution of regulatory standards.

New US Securities and Exchange Commission (SEC) rules

The SEC has modified its rules in several areas, such as financial disclosures and disclosure simplification. All these new regulatory developments, including the recent issuance of accounting guidance for SPACs, will shape the global ECM space in 2021.

The growing Chinese market

2020 was the busiest year for Chinese IPOs in the US since 2014, and it is likely Chinese companies will continue to look to the US for their primary listings in 2021, especially in the technology sector.

Regional perspectives

British Virgin Islands

"Ogier has run the market leading SPAC advisory practice in the BVI since 2012 – the year that marked the start of the current era of SPAC activity. The BVI is favoured as an offshore jurisdiction for SPAC incorporations due to a number of factors, including: the particular suitability of BVI company law to SPACs; limited additional regulatory compliance requirements; tax neutrality; and the close similarity between aspects of BVI and Delaware company law – which allows for an easy translation of existing standard legal forms and investor understandings from one jurisdiction to the other.

"Notable recent BVI SPACs include East Stone Acquisition Corp.'s US\$ 138 million IPO on NASDAQ in February 2020 and Kismet Acquisition One Corp's US\$ 250 million IPO in August. East Stone is particularly notable in that it is expected to make an acquisition in the digital assets space – one of the first to do so. BVI SPACs have also pioneered then novel SPAC features such as "rights", "fractional warrants" and the ability to extend SPAC life spans several years ago.

"The first India focused SPAC in recent years was a BVI company, as was the SPAC that resulted

in the first ever Nasdaq listed Chinese finance business in 2016, and in 2018 a BVI SPAC, National Energy Services Reunited Corp, completed a unique simultaneous double business combination when it acquired two Middle Eastern oil businesses with a combined value over US\$1.1 billion.

"Ogier in the BVI, under myself and Simon Schilder, advised on all of these transactions and continues to advise on numerous new and innovative SPAC structures and acquisitions today." - **Michael Killourhy, Partner.**

BVI in Europe

"From a BVI perspective in Europe, our European time zone location and ability to straddle timezones enables us to work with both Asian based clients and their US based counsel looking to access the US capital markets by listing their BVI companies in New York, as well as international based clients looking to access European capital markets, particularly London for the listings of their BVI companies in London. Most recently, we have just acted for the underwriters on the IPO in London of Fix Price Group Ltd." – **Simon Schilder, Partner**

"On the BVI in Europe side, we continue to act for Atlas Mara Limited, a BVI vehicle that came to the LSE via a SPAC in 2014." – **Tim Clipstone, Partner.**

Cayman Islands

"In Cayman we continue to see a steady flow of IPO work, particularly for Chinese businesses listing on Nasdaq or NYSE. Our SPAC practice is starting to see an increasing number of sponsors from China and other parts of Asia. Our SPAC sponsor clients are global, and include fund managers and family offices as well as traditional players in the SPAC sector. We also advise on the business combinations or de-SPAC transactions." – **Bradley Kruger, Partner.**

Guernsey

"In Guernsey, we have also recently been involved in advising on a SPAC combination with a Guernsey target group and the first Guernsey vehicle being listed in the US as a result of a SPAC combination and are currently advising a different SPAC vehicle on its combination with a Guernsey group which will subsequently be listed on the NYSE with the combination worth in the region of US\$4 billion.

"On general ECM work, in addition, we recently advised litigation funder Burford Capital on the listing of the Guernsey topco on the NYSE the first legal finance firm to be publicly traded in the United States and the first UK/US dual-listed company in the legal finance industry. Having last year advised the underwriter on a debt listing on NYSE of bonds issued by Amdocs, a Guernsey issuer and NASDAQ listed company, we have provided Guernsey legal advice in relation to all four of the Guernsey vehicles now listed or about to be listed on the US markets.

"Alongside our US listing work, we have continued to advise on high profile listings of Guernsey

vehicles on the LSE largely in the fund and fund management space, including the listing of the Foresight Group (investment managers) on the main list of the LSE in March.

"We are working at pace now on a Guernsey SPAC to be listed on Euronext Amsterdam in the next few months, and we expect to see an increasing number of SPACs headed to Guernsey in the short term. The only difficulty we see is the market's general ability to cope with the volume of new vehicles we are seeing. More generally Guernsey's secondary issuance market is buoyant – with around £1 billion raised in secondary issues over the past few weeks alone. Successful secondary issues have been carried out by Ogier client's Hipgnosis Songs Fund, Chrysalis Investments and The Schiehallion Fund." – **Tim Clipstone, Partner.**

Hong Kong

"2021 has already seen a massive pivot to SPACs being formed by Asia based sponsors. This will provide a further boost to M&A activity in the region. We are also seeing a surge in take-privates of US listed companies by Asia based founders and buy-out groups with the possibility of re-listing on markets closer to home in due course." – **Nathan Powell, Partner and Global Head of Corporate.**

Jersey

"We have recently listed Jersey companies in New York and are now seeing some SPAC activity in Jersey with three in the pipeline. It will be interesting to see if LSE changes their rules soon to attract more SPAC business or if the cycle moves back to one of there being more take private activity." – **Raulin Amy, Partner.**

"Whilst the London Stock Exchange has generally been the destination for Jersey ECM work, the recent flurry of US-focused listings of Jersey companies is welcome. Whilst the LSE's rules remain as currently drafted, they are unlikely to see much of the SPAC listings currently dominating the global market – therefore, showcasing Jersey as a jurisdiction that can list across the world's top exchanges (together with the inherent advantages of Jersey corporate law) gives Jersey companies a chance to join the SPAC revolution, something we are already seeing." – **Richard Daggett, Partner.**

"While SPACs have been around for decades, more recent market volatility has made them much more prevalent. Many companies have put off IPOs during the pandemic but the ability to raise capital relatively quickly, without the often painful and lengthy process of an IPO, through use of a SPAC has become increasingly attractive. There are of course critics who suggest that investors are going into the process blind and there have been some unsuccessful SPACs. However, overall market sentiment appears to be that these vehicles and transactions are here to stay for some time." – **Simon Dinning, Partner.**

Luxembourg

" With its experience as a structuring jurisdiction for M&A and private equity and its expertise in the listing of Luxembourg companies on other European stock exchanges, Luxembourg has positioned itself as a key player on the IPO and SPAC markets. The accessibility and pragmatism of the regulator, means that projects can be implemented quickly while maintaining full compliance with EU securities and stock exchange regulations." – **Bertrand Gérardin, Partner.**

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