

STAFF PAPER

July 2022

IASB Meeting

Project	Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32)	
Paper topic	Finalisation of agenda decision	
CONTACT(S)	Zachariah Gorge	zgorge@ifrs.org
	Angie Ah Kun	aahkun@ifrs.org

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Introduction and purpose

1. At its June 2022 meeting, the IFRS Interpretations Committee (Committee) decided not to add a standard-setting project to the work plan in response to a submission on IAS 32 *Financial Instruments: Presentation*. The Committee instead decided to finalise an agenda decision.
2. The purpose of this meeting is to ask IASB members whether they object to the agenda decision, as required by paragraph 8.7 of the IFRS Foundation [Due Process Handbook](#).

Background

3. The Committee received a submission about whether a special purpose acquisition company (SPAC), in applying IAS 32, classifies public shares it issues as financial liabilities or equity instruments. A SPAC is a listed entity that is established to acquire a yet-to-be-identified target entity.
4. In March 2022, the Committee discussed the submission and decided to publish a [tentative agenda decision](#), having concluded that the matter described in the request is, in isolation, too narrow for the IASB or the Committee to address in a

cost-effective manner and recommended that the IASB consider the matter as part of its broader discussions on the Financial Instruments with Characteristics of Equity (FICE) project.

Overview of the feedback on the tentative agenda decision

5. The Committee received 9 [comment letters](#) on its tentative agenda decision.
6. As reported further in [Agenda Paper 5](#) for the Committee's June 2022 meeting, seven respondents agreed with the Committee's decision not to add a standard-setting project to the work plan broadly for the reasons set out in the tentative agenda decision. Two respondents agreed (or did not disagree) with the Committee's decision not to add a standard-setting project to the work plan, including that the IASB should consider the matter as part of its broader discussions on the FICE project. However, they also provided comments on how, in their view, IAS 32 is applied to classify the public shares issued by the SPAC.
7. On the basis of the feedback, the Committee confirmed the analysis and conclusions in the tentative agenda decision.
8. All 14 Committee members voted to finalise the agenda decision.
9. The appendix to this paper includes the wording of the agenda decision approved by the Committee.

Questions for the IASB

Do you object to the Committee's:

- (a) decision not to add a standard-setting project to the work plan; or
- (b) conclusion that the agenda decision does not add or change requirements in IFRS Accounting Standards?

Appendix A—The Agenda Decision

A1. The Agenda Decision set out below was approved by the Committee at its meeting in June 2022.

Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32 *Financial Instruments: Presentation*)

The Committee received a request about whether a special purpose acquisition company (SPAC), in applying IAS 32, classifies public shares it issues as financial liabilities or equity instruments. A SPAC is a listed entity that is established to acquire a yet-to-be-identified target entity.

The request described a SPAC that issues two classes of shares: founder shares (Class A) and public shares (Class B). The Class B shareholders:

- (a) individually have the contractual right to demand a reimbursement of their shares if the SPAC's shareholders approve the acquisition of a target entity.
- (b) are reimbursed if the SPAC is liquidated. The SPAC is liquidated if no target entity is acquired within a specified period.
- (c) along with the Class A shareholders, have the contractual right to extend the SPAC's life indefinitely if no target entity is acquired.

The request asked about the effect of the shareholders' contractual right to extend the SPAC's life indefinitely on the classification of the Class B shares—in particular, whether the shareholders' decision to extend the SPAC's life is considered to be within the control of the SPAC. This assessment is needed to determine whether the SPAC has the unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.

The Committee observed that IAS 32 includes no requirements on how to assess whether a decision of shareholders is treated as a decision of the entity. The Committee acknowledged that similar questions about shareholder decisions arise in other circumstances. Assessing whether a decision of shareholders is treated as a decision of the entity has been identified as one of the practice issues the International Accounting

Standards Board (IASB) will consider in its Financial Instruments with Characteristics of Equity (FICE) project. The Committee concluded that the matter described in the request is, in isolation, too narrow for the IASB or the Committee to address in a cost-effective manner. Instead, the IASB should consider the matter as part of its broader discussions on the FICE project. For these reasons, the Committee decided not to add a standard-setting project to the work plan. The Committee nonetheless noted the importance of the SPAC disclosing information in the notes to its financial statements about the classification of its public shares.