News Release
Communiqué

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Trinidad and Tobago
Securities and Exchange
Commission
57-59 Dundonald Street
Port of Spain

July 7th , 2009

Consultation on Employee Stock Compensation Plans (ESCPs)

The Trinidad and Tobago Securities and Exchange Commission ("the Commission") hosted a consultation on its regulatory proposals for Employee Stock Compensation Plans operating in Trinidad and Tobago at the Teak Room Crowne Plaza on July 7th 2009.

In his opening address to the attendees Charles de Silva General Manager of the Commission indicated that the event was in keeping with the standard approach of dialogue between the regulator, the regulated community and those who are intended to benefit from the proposed regulation. .

He further noted that equity-linked compensation plans have been the major source of issuance of new shares registered by the Commission and coming onto the local stock market. Over the four-year period 2005-2008 a total of 125 such issues were registered by the Commission and these accounted for a total volume of 54.4 million shares with an aggregate value of $215 million. Over that period eleven (11) reporting issuers issued equity securities under these plans. In the current financial year, that is, since October 2008 there have been four (4) additional issues amounting to 345,907 shares with an aggregate value of $6.5 million

The audience which was comprised of corporate sponsors and potential sponsors of Employee Stock Compensation Plans, as well as members of the accounting and legal fraternities who provide key support services to the operations of these plans had the benefit of being able to provide comments on the guidelines which were developed after an initial period of consultation between the market and the Commission in November 2007.

Mr. de Silva noted that there was nothing by way of specific regulations or guidelines to address the operation of equity based compensation schemes of any kind, whether local or foreign. This meant that, in the case of locally established plans, while the normal requirements for the registration of equity issues were applicable, there was a considerable shortfall in plan-specific disclosure and reporting, subsequent to the shares being initially registered for issue under the plan.

In the case of ESCPs established or intending to be established by multinational companies the concerns were somewhat different, and revolved mainly around the duplicative nature of the regulatory demands faced by these companies, given the fact that they operated in more than a single jurisdiction. Concerns were articulated by certain foreign-owned companies that they were willing and ready to extend access to their employee stock option plans to locally based staff. In a number of cases the disincentive effect arising from this situation has been sufficient to deter or place in abeyance the decision by some multinational companies, operating mainly in the energy sector, to extend their ESCPs to their local employees.

The Commission therefore undertook to develop a regulatory framework that was sensitive to the needs of the market while maintaining the high regulatory standards necessary for the protection of investors and for safeguarding the integrity of our securities market. The resultant proposed regime for the regulation of ESCPs places a high reliance on requirements for disclosure and for compliance with these requirements.

In addition the proposed Securities Act, which is currently before Parliament, has embedded within it key principles of regulatory cooperation and mutual reliance which provide the basis for the regime that is being proposed for regulating foreign ESCPs. A key element of the regime is that the Commission is prepared to place a considerable degree of reliance on the fact that the issuers of shares under these plans originate and are regulated in reputable foreign jurisdictions in which the Commission has confidence.

The full address can be viewed at http://www.ttsec.org.tt/speeches/sp090707.pdf

END OF RELEASE

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