



# *Guidelines for Employee Stock Compensation Plans*

**TRINIDAD & TOBAGO  
SECURITIES & EXCHANGE  
COMMISSION**

*Crowne Plaza- July 7th 2009  
9.30am- 11.00am*

# *Outline*

---

- What is an Employee Stock Compensation Plan (ESCP)
- Rationale for Registration
- Feedback from the market (Local)
- New features of the guidelines
- Issues highlighted by the Market (Foreign ESCPs)
- Guidelines for foreign companies

# *What is an Employee Stock Compensation Plan (“ESCP”) ?*

---

An arrangement by a company to enable its employees to acquire its shares as part compensation

# *Types of ESCPs*

---

- Employee Stock Option Plans
  - Contracts between a Company and its senior employees that give them the right to buy a specific number of the Company's shares at a specified price ("exercise price") after a specified period of time ("vesting period")

# *Types of ESCPs*

---

- Employee Stock Ownership Plans
  - A retirement plan in which the company contributes its stock to the Plan for the benefit of its rank and file employees.

# *Rationale for Registration*

---

- Any issue to 35 or more persons is deemed an offer to the public (Section 3(1) of the Securities Industry Act.
- Registration of the issuer and of the securities is required under Sections 64(2) & 65(1) of the Securities Industry Act.
- Options are securities under sec.3(1) of the SIA which require registration & regulation

# *Challenges with the current regime*

---

- Options are not registered (only shares)
- Reporting requirements for ESCP are inadequate
- Reconciliation of the # of shares in issue is difficult

# *Feedback received from the market*

---

- Guidelines should not apply to reporting issuers that are not publicly traded companies
- Valuation of options is difficult
- Why market access fees on both shares and options?
- Shelf registration should be considered



# *New features of the guidelines*

---

- Registration of options
  
- Continuous reporting requirements apply once plan is registered:
  - Commission to be informed no later than 5 days of the exercise or expiration of an option
  - Quarterly reporting of summary statement
  - Completion of an annual disclosure form

# *Registration procedure*

---

- In addition to the standard requirements the following applies:
  - copies of shareholders' and/or directors' resolution approving plan
  - copies of the plan's rules
  - a list of beneficiaries of the plan at the date of creation
  - documents material to the rights and obligations of the plan participants and the pricing of the securities

# *Issues Highlighted by the Market (Foreign ESCPs )*

---

- They are registered and regulated in a foreign jurisdiction
- The offer will be made to employees only, who do not constitute the public, or a “section of the public”;
- Section 75(1)(j) of the Act sets out certain exemptions from the Prospectus requirements for a distribution and
- They wish to avoid further regulatory cost

# *Guidelines for Foreign Companies*

---

The Commission will consider exempting a multinational company from the requirements of Sections 64(2) and 65(1) of the Act provided that:

- It is registered, regulated and in good standing in a jurisdiction approved by the Commission
- It is up to date with its reporting obligations under the relevant securities legislation of its jurisdiction;
- It utilizes the services of an Agent/Custodian to hold the employees' shares;

# *Guidelines for Foreign Companies*

## *cont'd*

---

- Rights under the ESCP cannot be transferred to any members of the Trinidad & Tobago public unless such rights are passed on by way of beneficial interest upon the death of the employee;

- Any sales or re-sales of the shares must take place outside of Trinidad & Tobago through dealers registered or licensed pursuant to the relevant laws of the jurisdiction; and

- Annual Reports and other related disclosures to its shareholders in the foreign jurisdiction would be given to local participants of the ESCPs as well as the Commission.

# *What the guidelines will achieve*

---

- Improved regulation of ESCPs
- Enhanced disclosure to Investors



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

*Thank you  
Questions*