

Regulatory Transition in Employee Stock Options as Exempt Transactions from the Securities Regulation Code

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Granting corporate directors and officers Employee Stock Option Plans (ESOP) has been a convenient way of aligning corporate interests with shareholder interests. This arrangement is even encouraged as Republic Act No. 8799 or the Securities Regulation Code exempts this transaction from registration requirements. Nevertheless, recent developments in corporate law has been found wanting to fully address the peculiarities of ESOP.

The Author first examines the state of the regulations on ESOP grants, going through the process of how employees earn through stock options, obtaining exemptions from the registration requirement, as well as recent developments in the regulations which affect these transactions.

The Author, then, evaluates the wisdom of these reforms involving strengthening the capability of investors to make informed decisions, the increase of filing fees, and a procedural review by the Securities and Exchange Commission *en banc*.

Finally, the Author dives into what he calls the “uncharted territory” in stock option grants, including the non-regulation of stock option backdating and the absence of safeguards on director and officer compensation.