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it's our business

newspad of the Employee Share Ownership Centre

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From the life president

It is good news that the Centre has received a positive reply from Victoria Atkins MP as the minister responsible for the tax system. We had expressed our concern in a letter to the Chancellor that his reductions in annual CGT exemptions would impact inappropriately on employees in SAYE schemes. Some are indeed at risk of incurring fines, so unfamiliar are the circumstances.

We could not expect to receive cast-iron assurances but the tone of the reply gives the impression that HMRC may well try to minimise what all would agree is collateral damage.

David Pett and colleagues from other interested bodies had a helpful meeting with a strong team from HMT and HMRC. They covered the HMT Call for evidence on the popular SIP and SAYE schemes. I draw encouragement from the fact that David found them in listening mode.

We are clearly moving in the right direction and there is art as well as science in these manoeuvres. Goodwill goes a long way in helping reach sensible aims.

Malcolm Hurlston CBE

Treasury responds to Centre letter on CGT policy

Victoria Atkins, the minister responsible for the tax system, has replied to the Centre's letter to the Chancellor, drawing attention to the effects of his reductions in annual CGT exemptions on employees in SAYE schemes.

Victoria Atkins wrote "As you mention in your letter, the amount of tax-free capital gains that a person can make per year, the annual exempt amount (AEA), will be reduced to £6,000 from April 2023, and to £3,000 from April 2024. At £3,000, this new level for the AEA brings the UK closer to internationally comparable levels, whilst keeping those with negligible gains out of the CGT system.

"For SAYE specifically, no CGT is due at the point the shares are acquired. If and when the shares are disposed of by the employee, CGT rules apply to any gain made on sale. However, employees do not pay CGT if they transfer the shares to an Individual Savings Account (ISA) within 90 days of the SAYE scheme ending or directly to a pension when it ends.

"As you also highlight, the government has recently published a call for evidence on SAYE and the Share Incentive Plan and I would welcome your views in response to this call for evidence.

"Thank you for raising your concerns which I have noted and will share with my officials."

Malcolm Hurlston CBE, life president of the Centre commented "Our points have been heard and we shall respond actively to the call for evidence."

Report: Treasury meeting on SAYE & SIP changes

The Centre took part in a meeting called by HMT for stakeholders to discuss the SIP & SAYE options Call for Evidence, last month. The meeting was attended by David Pett, barrister at Temple Tax on behalf of the Esop Centre. Also present were Simon Adams for CIOT Employment Taxes Committee; Fiona Bell for QCA; Sam Blakeborough for EOA; Steve Wade from ICAEW; and Peter Swabey for ProShare.

Mr Pett reported that the HMT and HMRC representatives present appeared to be in 'listening mode' and were keen to garner points made on the basis of the experience of client companies.

On SIPs David and colleagues made the following points:

⇒ Private-equity owned companies should be eligible to establish a SIP. There are many companies which have had a SIP but can no longer operate a SIP having come under the control of private equity

⇒ There should be a single (three-year) period governing relief from income tax, rather than the three or five year periods, which serve only to obfuscate and confuse all parties

⇒ The possible accumulation period should be extended to three years, with thought being given to combining SIPs and SAYE schemes and allowing a higher rate of monthly savings to be applied after three years in acquiring shares at the market value at the start of that period – this would then reduce the case for having SAYE schemes at all (although it was recognised that their familiarity makes them popular with large employers).

Treasury meeting on SAYE & SIP changes—*more*

⇒ There is a need for a better suite of pro forma documentation, including extracts from articles of a private company, to assist smaller companies to establish a SIP (compare the documentation issued by Dept for Business in 2015)

⇒ Companies should be able to offer a cash alternative to participation in free share awards. What is the policy objection to this?

⇒ Eligibility should be extended to gig economy workers i.e. all those who provide personal services to the company/ group, and liaison with other Departments to ensure that regulatory hurdles are overcome.

Other points made:

⇒ Few, if any companies take advantage of the ability to make performance-related free share awards – could that be simplified/removed?

⇒ The reduction in the number of companies operating a SIP can be partly explained by the growing role of private equity in UK plc

⇒ Any complexity in a SIP is more perceived than real. Standard form documentation can be used and, in principle, a SIP for up to 50 employees or so can be administered on a spreadsheet.

⇒ Small companies use individuals as trustees (despite the risks of unlimited personal liability)

⇒ The ongoing tax shelter for so long as a participant remains an employee is attractive

⇒ For those companies which have woken up to the benefits of a SIP, it has proved its worth – perhaps because of the margin for failure of share price growth in the case of unlisted companies for which a 75+ percent discount on market value, coupled with the funds being out of pre-tax earnings, make it attractive

⇒ The fact that articles can provide for forfeiture of free shares if an employee leaves at any time for any reason, and for partnership to be offered back for sale on a no-gain basis if the participant leaves, means there is "no skin off the nose of the proprietors" in offering free and/or partnership shares under a SIP where the intention is for the shares to be held until the company is sold.

Re SAYE options:

⇒ Of interest to larger listed company employers only

⇒ Costs of savings provider make them unattractive to other employers

⇒ Limited number of savings providers now that Yorkshire Building Society has withdrawn (apparently there are none in the Republic of Ireland, hence no Irish SAYE schemes under its legislation).

⇒ The one-year accumulation period for partnership shares in a SIP can go a long way to replicating the benefits of an SAYE option, albeit with lower limits and with a shorter option period (but no imperative to sell after acquisition as there is perceived to be with SAYE option shares)

⇒ Again, there would be benefit in combining the two schemes so that we have a single statutory regime for tax-advantaged all-employee schemes.

EOT consultation launched

There are currently two real chances to provide feedback to government on how employee share ownership plans are working for businesses and their employees.

Consultation on EOTs - Employee Ownership Trusts are an increasingly popular way for business owners to transfer share ownership to all employees in the company. Nearly ten years after EOTs were introduced, HMRC is now looking to ensure that the tax reliefs associated with EOTs meet the policy objectives. Those include encouraging the growth of employee ownership as a viable and mainstream business model.

The consultation covers a variety of matters including trustee selection, trustee tax residency, and changes to the rules on the tax-free bonus payment that can be made by EOT controlled companies. There is also the opportunity to feed back to HMRC any other opinions you may have about improving EOTs. *The deadline for responses is September 25 2023.* Follow link for further details.

Call for Evidence for all employee share plans - As mentioned earlier in this issue of *newspad,* already announced, but still live, is the Treasury's Call for Evidence on the Share Incentive Plan and the Save As You Earn share option scheme. The Treasury wants to hear your views on how these plans are working and how they might be simplified and improved. There's particular interest in how they might work better for lower earners.

The more companies respond, the more Treasury is likely to listen. If you have an opinion on how these plans might provide stronger and more valuable incentives for your employees, please take a look at the on-line questionnaire. *The closing date is August 25 2023.*

Newspad understands that Centre member RM2 Partnership will be responding to both these consultations, as will other members, as well as the Centre and other share plan sector organisations.

EVENTS

Webinar

Esop Sofa – newspad review webinar October 11

Thank you to everyone who took part in this month's online Round-Table on hot topics in Eso. The discussion around the Call For Evidence on SAYE and SIP was of particular interest.

The Centre's autumn *Esop Sofa-newspad Review* will be a return to a webinar format, at 11:00am on Wednesday, October 11. Join our panel of share schemes experts for in depth discussion of their pick of articles featured in recent editions of *newspad*. Registration is open.

For your diary

Keep an eye on your in-box for details about further forthcoming Centre events. The newspad all-employee share plan awards 2023 will be launched later this month. For the spring of 2024: the employee share plans and trustees conference with STEP Jersey is in the planning stages (date to be confirmed); and the afternoon of Thursday April 25 is pencilled for next year's British Isles employee share plan symposium and awards presentations. Please contact the team at esop@esopcentre.com to express your interest in taking part.

MOVERS & SHAKERS

Centre members named in Business Today Lawyer Awards 2023

Congratulations to Alexander Beidas of Linklaters, Graham Muir of CMS and Tasmin Nicholds of Fieldfisher, who feature among the Top 10 UK Lawyers Crafting Influential Employee Share Schemes & Incentives.

Business Today said: Dealing with incentives and employee share schemes requires expert legal representation. Top-notch legal service is crucial for businesses trying to navigate through complex legal requirements and regulations. We've curated a list of lawyers who, with their rich experience and deep knowledge in this field, can provide timely and effective solutions.

Follow the link for an overview of who they are and what they bring to the table.

UK CORNER

EMI share option deadline to be relaxed

The government has published draft legislation to extend the time limit for notification of the grant of EMI options. Currently, companies must notify HM Revenue & Customs of an EMI option grant within 92 days of the date of grant. This limit will be extended for EMI share options granted on or after April 6 2024. Instead, companies will need to notify HMRC of an EMI option grant on or before July 6 following the end of the tax year in which the grant was made.

According to HMRC, approximately 45,000 people are granted EMI options annually. This change should result in fewer late notifications and fewer EMI options becoming disqualified. That will benefit SMEs running EMI share plans, and the employees who have been granted the options.

This change is welcomed, as it can be time consuming to register EMI options. (The process currently relies on Royal Mail delivery of an important code allowing access to the EMI registration online system).

The 92 day deadline still applies for EMI options granted up till April 5 2024. If you don't notify HMRC within that timeframe, your EMI options will not qualify.

HMRC published this policy paper on the same day as its consultation on Employee Ownership Trusts. If you're dubious about whether government pays attention to consultations, bear in mind that this is only one of three recent changes announced in the Spring Budget 2023. These all followed call for evidence/review of EMI announced at Budget 2020. The first two measures applied from April 6 2023, and removed the need to set out the details of share restrictions in option agreements and to sign a working time declaration. A further change increased the Company Share Option Plan (CSOP) individual option grant limit from £30,000 to £60,000. It is worthwhile responding to those consultations. The wheels of government turn slowly and replies to calls for evidence can help oil the machine.

HMRC's 2022/23 customer service performance falls short

Data on HMRC's performance in 2022-23 contained in its annual report and accounts reveal the severity of the department's problems.

HMRC failed to meet its key customer service measures in 2022/23. Customer satisfaction dropped to 79 percent, from 82 percent in 2021/22. While customer correspondence cleared within 15 and 40 working days showed significant improvements compared to 2021/22, they still fell short of targets. Telephony performance has declined.

Telephone answering performance continues to fall; the waiting time for January to March 2023 was over 20 minutes. Before the pandemic, the average waiting times were around five to six minutes and longer helpline opening hours included weekend service.

HMRC has made some progress clearing its backlog of correspondence. However, the detailed figures show that its performance when answering personal tax correspondence is worse than its overall performance. In a welcome development, HMRC has set up a taskforce to tackle correspondence which has been unanswered for more than 12 months. However, any ordinary customer-focused organisation with a similar response rate would be likely to go out of business.

HMRC considers the solution lies in online self-service by taxpayers and agents. It wants a 30 percent reduction in the volume of contact through phone and post by 2025 (compared with 2021/2022). However, developments such as the single customer account may take several years before they make a significant difference to phone and post demand. Digital services for agents lag even further behind. HMRC is severely constrained by the complexity of moving taxpayer records from legacy systems.

The annual report reveals the following:

	2022/23	**2021/22**
Customer satisfaction	79% (target 80%)	82%
Customer correspondence cleared within 15 working days	73% (target 80%)	46%
Customer correspondence cleared within 40 working days	89% (target 95%)	64%
Net easy score	+60 (target +70)	+66
Telephones: adviser attempts handled	71% (target 85%)	77%
Telephones: average speed of answer	16 minutes (no target)	12 minutes
Telephones: callers waiting for more than 10 minutes	63% (no target)	46%

WPC publishes report on use of LDI in DB pension schemes

Following the government's "mini budget" of September 2022 and the ensuing crisis in the "Liability Driven Investment" (LDI) market, The House of Commons' Work and Pensions Committee (WPC) published a report in June on the use of LDI by defined benefit pension schemes, which notes that "there is still more work to be done" to address weaknesses in the LDI regime.

The WPC report is comprehensive and includes 10 principal recommendations for the government and key regulators like the Pensions Regulator, the FCA and the PPF in connection with the future use and governance of LDI arrangements. Several of the Committee's recommendations also cover wider issues affecting the DB pension scheme industry, such as the timing of a government consultation response on DB consolidation (which was recommended to be provided by the end of October 2023 and was published on July 11) and the halting of the proposed DB funding regime changes. The government is due to respond to the report by August 23 2023 and no immediate action is required of trustees at this time.

ESG for SMEs: insurance premium rise key to change

SMEs are slower to adopt ESG risks into their business strategies, but an increase in insurance premiums could give them the nudge they need to take action.

Among smaller businesses, factors such as climate change are still not rated as highly as other risks, despite their being a contributing factor to much of the risk landscape. What might trigger accelerated environmental, social and governance (ESG) action among SMEs, however, is a potential tripling of insurance premiums.

ESG risks will have an increasing impact on SMEs' insurance policies. It will undoubtedly lead to more costly insurance or, at worse, insurers might not want to offer a policy to those who ignore ESG issues.

Insurers are also having to grapple with the complexities of ESG risks in their own businesses, so they are aware of what's involved. Traditional underwriting approaches are no longer adequate to identify and manage the complex risks of climate change and other ESG factors, leading to insurers changing their approach to determining insurance policies.

Finance (No.2) Act 2023 receives Royal Assent

Royal Assent of Finance (No. 2) Act 2023 was granted on July 11 2023, though many of the measures contained in the Act have different start dates to Royal Assent.

For example:

⇒ temporary full expensing applies for qualifying expenditure incurred on or after April 1 2023 but before April 1 2026

⇒ no pension lifetime allowance charge arises for the tax year 2023/24 or any subsequent tax year, but new limits on the tax-free amount of lump sums from funds exceeding the lifetime allowance are introduced

⇒ the new multinational top-up and domestic top-up taxes have effect in relation to accounting periods commencing on or after December 31 2023.

However, there are a few measures that apply from the date of Royal Assent. These include:

⇒ a new regulation-making power to amend the legislative table of taxable social security payments to add new social security benefits created by devolved administrations (see s27)

⇒ regulation-making powers contained in Part 2 of the Act relating to the reform of alcohol duty (see s120)

⇒ changes to the quarterly instalment provisions for large and very large companies to include the electricity generator levy. Although the levy applies from January 1 2023, payments will fall due for payment only after July 11 2023. The first instalment falling due after Royal Assent must be increased by any amounts of the levy that would have been due in earlier instalments for the accounting period (see s306)

⇒ the introduction of review and appeal rights concerning HMRC's power to require financial guarantees to be given for duty amounts payable on imported goods (see s318)

⇒ a measure to ensure that payments from an authorised reclaim fund are treated for the purposes of income tax as if they were from the pension asset that was initially transferred (see s348)

⇒ clarifying how the removal of a restriction on the exercise of civil information powers in the Act applies to requests made before the date of Royal Assent. Penalties imposed for contravening a requirement prior to Royal Assent have no effect and repayments can be claimed (see s352)

⇒ some of the changes to the corporate interest restriction – namely in respect of pre-trading finance costs, appointment of reporting companies, and HMRC determinations (see Pt 3, Sch 3). Revised statements must be submitted within 30 days of Royal Assent to be treated as received on time (see Pt 4, Sch 3)

⇒ regulation-making powers in respect of dumping, subsidisation, and safeguarding remedies (see para 17, Sch 19)

⇒ regulation-making powers in respect of bilateral safeguarding remedies of the UK and its free trade agreement partners (see para 3, Sch 20).

Star Wars: ceo Pay

Last month the *Financial Times* asked "How much is it worth to retain a star ceo?".

Drafted by a former investment banker, the article referenced the ceo pay at Disney, JP Morgan, Goldman Sachs and GE.

The compensation items include a five times bigger annual bonus at Disney, a stock option retention award of some $50m at JP Morgan, a retention "Shareholder Value Creation Award" of $30m for the Goldman ceo and an "Inducement Award" of $7.5m; then replaced by a "Leadership Performance Share Award" worth an estimated $300m for the GE ceo.

The author said: "Why do the boards of companies feel the need to give their already wealthy and properly rewarded ceos, even more financial incentives to do their jobs? None of the boards has satisfactorily explained its logic, beyond the usual, corporate drivel. Notably, the majority of shareholders voted against the 2021 JP Morgan and GE executive remuneration plans in non-binding say on pay."

And finishes with: "At a time when income inequality is reaching absurd levels, when is enough enough?… I don't have a good answer, but I sure would like to know."

This is not a cost issue, big companies with big profits can afford to pay big bucks. But it saps employee morale, particularly when general pay is constrained or when there are job losses in point.

Furthermore, investor trust in the board may be eroded. Top pay items which are subject to much criticism can lead to questions of lack of skill, poor judgement, or compromised independence. And if they can err on top pay, what other decisions might be flawed?

Centre member CORPGRO commented: *Both shareholders and governments have tried to combat perceived excess. Extensive pay disclosure, Say On Pay votes, limits on tax deductibility and shareholder governance rules have been tried. Some calls for absolute limits on pay quantum, have not yet found favour. Adding yet more rules and governance is unlikely to provide a magic solution.*

The current top pay system might not always produce good outcomes, but it is hard to say what might do better. Winston Churchill once famously said about democracy; "It's the worst kind of government, aside from all the other kinds that have been tried."

So, knowing that top pay can attract strong criticism, as a minimum, compensation committees must adopt exacting standards on information, process, judgement and explanations. Even when error is absent, there remains much scope for disagreement on what is best for the business.

And another thought, in his book '21 Lessons for the 21st Century,' Yuval Noah Harari says:

"In order to keep up with the world of 2050, you will need not merely to invent new ideas and products – you will above all need to reinvent yourself again and again."

With our world changing at an ever faster pace, new top talent can bring fresh perspectives new ideas and energy. Sometimes there is merit in planned churn.

Shareholders to vote on executive pay at Mitie and Tate & Lyle

With three chief executives putting their salaries to a shareholder vote in the annual general meeting season, remuneration policy has come into the spotlight this year with the cost-of-living crisis continuing to bite.

Shareholders vote down exec pay and bonus plans after £120m loss

The shareholders of identity technology specialist GB Group have voted down its directors' remuneration report after the company slumped to a loss of almost £120m during its latest financial year.

Channel 4 exec pay soars amid "very challenging" market conditions

Channel 4 executive pay soared to record highs last year amid industry fury over salaries for senior leaders at the UK commercial broadcaster.

Bumper pay packets were expected for 2022, but Channel 4's annual report lays bare how much its top team earned as they fought off privatisation and delivered a stable commercial performance.

Channel 4's fortunes have soured in recent months as an ad market downturn has forced it to cancel and delay shows, and significantly slow down new commissions.

NYC Comptroller calls for executive clawbacks at Bank of America

NYC Comptroller Brad Lander is calling for Bank of America to initiate a clawback of executive compensation after it was ordered by federal regulators to pay more than $250 million in fines and customer refunds to settle a slew of charges, including double-dipping on overdraft fees, withholding credit card reward bonuses and opening fake accounts.

Another kind of green enters the picture

A growing number of Canada's largest public companies are using climate or social responsibility goals in their executive compensation plans – although those that do are giving those metrics minimal weight in pay packages.

Chief executives at 100 of the largest Canadian companies listed on the Toronto Stock Exchange received a median of just under $8.6 million in 2022. But while many shareholders are looking for a stronger link between those paycheques and environmental, social and governance (ESG) measures, it's unlikely top executives will immediately take a big hit in their pay if their companies fall short.

EU/US data privacy framework adopted

Following a year of ‘will-they-won’t-they’ news reporting, the European Commission finally granted an equivalency decision to the US on July 11, approving the latest EU/US cross-border data transfer arrangement: the Data Privacy Framework. It has been a long time coming, with the first announcement published in March last year and acceptance by the US in October 2022. The equivalency decision means the EC has accepted that the Framework creates an adequate level of protection (i.e. comparable to that provided under EU law) for cross-border transfers of personal data. This will allow personal data to be transferred from the EU to companies based in the US, which have signed up to the Framework, without having to put in place additional data privacy safeguards.

Centre member Tapestry commented: *The Framework replaces the Privacy Shield (quashed by the EU Court of Justice in 2020) which, in turn, replaced Safe Harbour (quashed in 2015), and commentators are already questioning whether the Framework is sufficiently different from its predecessors to avoid the same fate. The collapse of the previous data protection arrangements between the EU and the US caused disruption to the thousands of organisations who had to fall back on alternative transfer tools or to keep employees’ personal data in the EU. This is not always a workable option given the global nature of share plans and the internationalisation of share plan administration. For the time being, companies transferring personal data from the EU to the US will be glad to be able to rely on a relatively simple and legal basis*.

Cayman Islands satisfies FATF action plan

On June 23 the Financial Action Task Force (FATF) announced that the Cayman Islands has fully satisfied its action plan. Cayman is now is eligible to be removed from its monitoring list subject to successful completion of an onsite visit later this month or in early September.

Preparations for the visit are already underway. FATF assessors will visit the Cayman Islands and meet local stakeholders, examining the operation of the action plan in practice, as well as its sustainability. The onsite visit report will be presented at the next FATF plenary, scheduled for October this year, at which point the Cayman Islands will receive confirmation as to whether it will be delisted.

The Cayman Islands will be on a similar footing to Crown Dependencies, Jersey and Guernsey. Tasha Ebanks-Garcia, Cayman Representative in the UK, has already spoken at Centre Channel Is events.

Centre president Malcolm Hurlston has written to Tasha Ebanks-Garcia and her premier, offering congratulations and closer collaboration.

Australia

Businesses must be aware of ESS obligations

Businesses must not overlook the obligations that come with employee share schemes as requirements to staff and the Australian Tax Office need to be met. ESS administrative measures must not be forgotten despite the tight labour market.

The two key requirements businesses must ensure they abide by are providing an ESS statement to the employee, which helps them complete their tax return, and submitting the ESS annual report to the ATO.

The employee statement, required to be provided to the employee by July 14, with information in it to include:

⇒ The discount for ESS interests acquired under each type of taxed-upfront scheme

⇒ The discount for ESS interests acquired under a tax-deferred scheme if a taxing point happened during the financial year

⇒ The discount for shares and rights acquired before July 1 2019 if a cessation time occurred during the financial year

⇒ The total TFN amount withheld from discounts during the financial year

If the firm's employee is eligible for start-up concessions, the business must provide them with the following information about ESS interests acquired during the income year:

⇒ The number of ESS interests acquired

⇒ The market value of ESS interests acquired

⇒ The acquisition price of ESS interests that were shares

⇒ The exercise price of ESS interests that were rights

⇒ The acquisition date of the ESS interests

Businesses also need to master the details required to be provided to the ATO in its ESS annual report, which is due August 14.

The ATO said the information businesses must provide for general ESS schemes included the following details for each employee participating in an ESS and for each ESS that the employee is participating in, which include:

⇒ Plan identifier – a reference that makes a plan unique within all plans offered by the business

⇒ Acquisition date – the date the ESS interests were acquired

⇒ Plan date – the date a taxing point happens to an ESS interest, for a taxed-upfront scheme, this would be the acquisition date, for a tax-deferred scheme, this would be the deferred taxing point

⇒ TFN amounts withheld from discounts on ESS interests if a taxing point arose during the financial year

The ATO also reminded firms that it will only accept ESS annual report lodgements electronically.

The increased awareness regarding ESS obligations comes after several businesses looked to the scheme as a way to entice and retain staff during the skills shortage. The director at DMCA Advisory, Tania Tonkin, told *Accountants Daily* last year that businesses should look at the method.

"Having a scheme for employee buy-in makes for a more equitable environment – one where both workers, the C-suite, and all shareholders have aligned interests," said Ms Tonkin.

"It is possible if you keep it simple and don't make it too complicated. It's a really good way to tie people into the business and keep them on board.

"Employees receive a benefit from receiving dividends on top of their usual salary as profitability targets are met. The value of their shares is then a real investment in the business which increases in value as the business grows."

China

Ant's surprise share buyback brings good news for employee investors

Ant Group announced a surprise share buyback on July 8 which values the fintech giant at $78.54 billion, well below the $315 billion touted in an abandoned IPO in 2020. The move that may let some investors exit after a lengthy regulatory overhaul of the firm.

The news came one day after Ant was fined $984 million, which should end a years-long regulatory shake-up of the company and mark a key step to concluding a crackdown on the country's internet sector.

Ant said it had proposed to all of its shareholders to repurchase up to 7.6 percent of its equity interest at a price that represents a group valuation of approximately 567.1 billion yuan ($78.54 billion).

That represents a steep 75 percent discount to the $315 billion valuation in 2020 for what was set to be the world's largest IPO had it not been derailed at the last minute by the regulators.

"The repurchased shares will be transferred into Ant Group's employee incentive plans to attract talents. The repurchase proposal will also provide a liquidity option for the company's investors," it said.

Ant's major shareholders, Hangzhou Junhan Equity Investment Partnership and Hangzhou Junao Equity Investment Partnership, have voluntarily decided not to participate in the repurchase, the company added.

Hangzhou Junhan and Hangzhou Junao are the entities that collectively hold more than 50 percent of Ant's shares on behalf of the company's executives and employees.

"While Ant buys back shares at a valuation much lower than the $150 billion figure in the company's last fundraising round in 2018, the plan provides some liquidity to its existing investors," said Zhang Zihua, chief investment officer at Beijing Yunyi Asset Management which is an investor of Ant's affiliate, e-commerce titan Alibaba.

"Liquidity might be more important than valuation for some investors that look to exit."

He said neither did he nor the markets expect the share buyback at this stage.

China's central bank said on Friday that financial regulators would fine Ant and its subsidiaries a total of 7.12 billion yuan.

The imposition of the penalty is seen as paving the way for the firm to secure a financial holding company license, to focus on bolstering growth, and eventually, to revive its plans for a stock market listing.

"China needs to resolve the Ant IPO to restore investor confidence," said Wang Qi, chief executive of China-focused asset manager MegaTrust Investment.

"Any progress here not only benefits Alibaba, but is also good for the internet and fintech industries as a whole."

Founded by billionaire Jack Ma, Ant operates China's ubiquitous mobile payment app Alipay as well as consumer lending and insurance products distribution businesses among others.

Ant in April 2021 embarked on a sweeping business restructuring, which included turning itself into a financial holding company that would subject it to rules and capital requirements similar to those for banks.

For the broader technology sector, Ant's fine marks a key step towards the conclusion of China's bruising crackdown on private enterprises, which began with the scrapping of Ant's IPO in late 2020 and subsequently wiped billions off the market value of several companies.

Following the IPO's cancellation and the forced restructuring, some of Ant's global investors cut their valuation of the company, with Fidelity lowering it to $68 billion in mid 2021, Reuters has reported.

India

Esop buybacks among Indian start-ups may resurge as macro headwinds ebb

Esop buybacks, the primary method of liquidation for employee-owned stocks, usually follow the prevailing funding trend.

The one piece of good news that came out of the Indian start-up ecosystem in 2023, so far, is the $700 million payout that Flipkart made to its employees. The payout was a result of the separation of Flipkart and Phonepe.

Swiggy's staff can get cumulative $50 million under Esop plan

Swiggy, the Indian food and grocery delivery firm, will purchase shares worth over $50m from 2,000 employees in its next employee stock ownership plan. The stock upgrade offers staff from Dineout - which Swiggy purchased last year - a chance to participate.

Norway

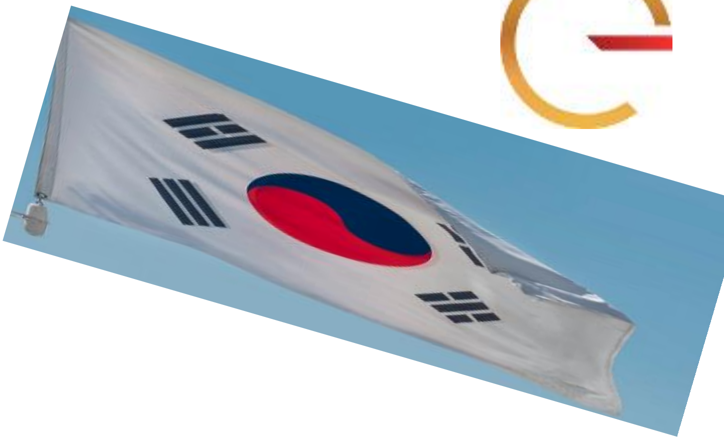
Adevinta Employee Share Purchase Plan

On July 17, employees of Adevinta ASA purchased 115,683 Adevinta shares through a broker on the Oslo Stock Exchange as part of its employee share purchase plans at an average share price of NOK68.252637 per share. The shares were transferred to the participants in the days following the purchase. The transactions are related to the second enrolment window in the Adevinta Share Purchase Plan for 2023 and the fourth enrolment window in the Hybrid Adevinta Share Purchase Plan for 2022 which closed in December 2022, and based on savings made during April, May and June 2023.

In addition, the employees received a total of 13,050 gross Adevinta treasury shares, on July 18. After withholding tax, a total of 8,002 shares were sold at a price of NOK69.86042 per share to cover tax responsibilities and the net number of shares to be transferred to the employees will be 5,048 shares. The net shares were transferred to the participants. This transaction is related to bonus matching shares given to employees who enrolled in the Employee Share Saving Plan for Q2 of 2021.

Part of the transactions included primary insiders in Adevinta ASA. (Notifications of the transaction were attached to the related press release in accordance with MAR regulation).

The purpose of the employee share purchase plan is to motivate and retain employees as well as to increase the interest in the company's result and performance through owning Adevinta shares. After two years of ownership, the company will allocate one bonus share for every share bought in connection with this offer.



South Korea

Exchange controls clarification on trading employee shares

South Korea's Financial Supervisory Service (FSS) has recently clarified the procedure to be followed by Korean residents when trading shares of a foreign parent company acquired under an employee share plan.

Existing foreign exchange rules in South Korea require that "when an individual resident desires to trade foreign listed shares, it shall carry out such trading via a Korean securities company". It was not clear (and there was no guidance issued on the matter) whether this rule applied to a Korean resident employee trading shares of a listed foreign company when the shares were acquired under an employee share plan.

The recent announcement by the FSS confirms that the rules do apply to shares acquired under an employee share plan of a foreign listed company when the shares are traded (acquired or sold) by a Korean resident.

The announcement is a clarification of existing rules, not a new requirement. The regulations may have already been considered and complied with by your local team in South Korea, however this should be checked.

The requirement that trading must be made "via a Korean securities company" means that when a participant wishes to transact in (i.e. acquire or dispose of) shares under a share plan of a foreign company, the participant must comply with the following:

⇒ they must open a foreign securities investor account with a Korean securities company

⇒ the relevant shares must be deposited with a foreign depository which is linked to the Korea Securities Depository (KSD)

⇒ on a sale, a disposition order must be made through the Korean securities company.

This means that participants will likely need to open, and make their trade instructions via, a Korean securities company, if this arrangement is not already in place. It may be possible for an administrator to act as the participant's agent to continue to take dealing instructions, but this will be subject to authorisation from the participant and agreement with the Korean securities company.

If an employee receives sale proceeds from selling their shares under a share plan of a foreign company without complying with the above requirements, they will breach the regulations (thankfully, however, there are no mandatory repatriation requirements and off-shore dividend reinvestment is still permitted).

The announcement does not state an effective date, but as it was made in June, it is expected that enforcement of the clarification would likely to have begun last month (July).

Penalties for non-compliance apply to individuals when a trading amount exceeds USD10,000, in which case a penalty charge of two percent of the trading amount will be charged, with a maximum penalty charge of KRW50 million (approx. GBP30,000).

USA

Ice cream shop makes 175 of its employees millionaires

There have been a lot of discussions regarding the position of employees in a company's progress. Many people have raised issues with the concept of tipping as in their opinion, companies should pay their employees properly. Stewart's Shops seems to have taken this advice to heart and has gone one step further by making 175 employees literal millionaires by giving them a stake in the company.

Trustee & company execs sued for disputed Esop sale valuation

Two former workers and vested participants in the Buckeye Corrugated Inc Employee Stock Ownership plan sued plan trustee GreatBanc Trust Co and several Buckeye executives on July 21 for alleged losses suffered by the plan and its participants when they alleged GreatBanc caused the plan to sell shares of Buckeye to the management purchasers for less than fair market value.

The plaintiffs, Eric Finkle and Justin Whipple, allege four counts of fiduciary breach under the Employee Retirement Income Security Act against the defendants in Finkle et al v GreatBanc Trust Company et al, filed in US District Court for the Northern District of Illinois, Eastern Division.

KKR’s antidote to worker discontent — Eso programmes

The job market may be strong, but the invisible strings that connect workers to their jobs are increasingly weaker.

Trends such as “lazy girl jobs” and “quiet quitting” have gone viral in a post-pandemic world where young workers are trading ambition for balance. Actors and writers continue to strike. UPS workers were on the brink of one before reaching a tentative agreement with their employer. More than half of employees in a recent survey reported feeling burned out due to a demanding workload.

How would all of that change if there were greater economic alignment between employers and their employees? If employees had more so-called “skin in the game?”

That’s the rhetorical question that Pete Stavros finds himself constantly asking. As the co-head of global private equity at Centre member KKR, he’s been a key champion of instilling employee stock ownership programmes in all the companies the firm buys for its $19 billion Americas Fund.

In an interview with CNBC Pete explains why his goal is to “see this roll out across the whole industry.” He and KKR are founding members of a non-profit called Ownership Works, with the ambition of generating at least $20 billion of wealth for lower-income and diverse workers over the next decade through shared ownership. Through the non-profit, other private-equity firms like Apollo and TPG also committed to advancing shared ownership within their own portfolios.