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Global Reward Update
Singapore, Ukraine and Denmark

Key points to know

- Recent regulatory updates in Singapore, Ukraine and Denmark have resolved some outstanding issues affecting the operation of share plans in these jurisdictions.
- From 1 April 2019, companies in Singapore may no longer need to seek Ministry of Manpower approval before making payroll deductions for purchased shares.
- Replacement of the license system with new exchange control rules in Ukraine should make it easier for companies to operate share plans in Ukraine.
- Changes to employment law in Denmark should make it easier for companies to enforce their good/bad leaver provisions.

Singapore: Simplified payroll deductions

Presently in Singapore, local rules require that a company obtains prior written consent from the employee and approval from the Ministry of Manpower before it makes a payroll deduction for the purchase of shares under an employee share plan. This rule applies to all employees, with the exception of those in executive or managerial roles earning above $4,500 a month (approximately €2,920).

From 1 April 2019, the Employment (Amendment) Act 2018 will abolish the requirement to seek ministerial approval. Deductions will then be permissible provided the employee has given prior written consent and may withdraw their consent (without penalty) at any time before the deduction is made. The Employment Act has removed the salary threshold, meaning that all employees in all capacities will be subject to the new system. This change should greatly simplify the process of operating employee share purchase plans in Singapore and in practice it is not expected that many (if any) employees would withdraw consent.

Ukraine: Relaxed exchange controls

Prior to 7 February, Ukrainian residents were required to obtain an individual license before purchasing shares in a non-Ukrainian legal entity. In practice, individual licenses were very rarely granted by the National Bank of Ukraine. Similarly, Ukrainian companies required a license in order to remit contributions and recharge costs in respect of incentive plans. This made operating share purchase plans very difficult and meant that recharging costs was often impossible in practice.

As of 7 February 2019, the requirement to obtain a license has been abolished. Ukrainian residents are now able to transfer foreign currency (up to a limit of €50,000 per year) to make investments, including to purchase shares in non-Ukrainian companies. In addition, Ukrainian companies now have free use of their foreign bank accounts and can transfer foreign currency (up to €2,000,000 per year) abroad to facilitate business activities.

The recent changes should make it much easier for companies to offer share plans in Ukraine. Although there are still numerical limits on transfers, these are sufficiently high that they are unlikely to present a barrier for the vast majority of share plans.

Demark: Employment law changes for termination claims

Danish employment law has historically had various mandatory leaver rules that were applicable to employee share plans. Danish employees whose employment was terminated by the company generally remained entitled to the entirety of their share awards regardless of the plan rules. Additionally, an employee could be entitled to an award after leaving employment (which in practice would often be provided as a cash compensation).

For share awards granted on or after 1 January 2019, these mandatory rules have been relaxed. This change should generally permit companies the flexibility to enforce their own leaver provisions in respect of their Danish employees, potentially saving costs for companies and ensuring greater consistency across multiple jurisdictions.

The newly amended legislation (Danish Stock Option Act) does not apply to cash/phantom awards. Therefore leaver provisions in respect of cash based awards may still not fully enforceable for Danish employees.

Deloitte's view

These are all welcome relaxations to the previous regimes which may have discouraged companies from operating their share plans in Singapore, Ukraine and Denmark.