Special

Stock Option Watch

Centre for European Economic Research, Mannheim

Supplement ZEWnews · March 2005

The incentive effects of stock option plans are discussed in detail in the first three articles in the fourth issue of Stock Option Watch. The first article (Koeberle-Schmid, Union Investment) presents the criteria according to which Union Investment evaluates stock option programmes from the shareholders' point of view. Prof. Dr. Gillenkirch (University of Göttingen) then subjects this and similar evaluation techniques to a critical analysis. The third article (Filbert and Kramarsch, Towers Perrin) broadens the perspective to include current market practice. The article by Dr. Meyer (Deutsche Bank) examines the new European regulations relating to the transparency of directors' dealings.

Dr. Erik Lüders (Université Laval) and
Dr. Michael Schröder (ZEW)

The Evaluation of Stock Option Programmes

Stock option programmes (SOPs) are now a widespread method of remunerating managers. 26 DAX 30 and 46 EuroStoxx50 companies award stock options. The declared objective of this policy is to recruit and motivate directors, top managers and employees and to reduce the principle agent conflict. Ultimately, the initiators of stock option programmes hope to boost shareholder value. Two studies – both of which are unique to date – performed by the asset management company Union Investment reveal that most SOPs are still badly constructed, however, and fail to achieve their declared objectives. In many cases these programmes boost boardroom pay at the cost of shareholders – without the specified objectives being met.

Benchmark: Optimal stock option programme

Whether SOPs really do represent – in principle – long-term performance-related compensation systems geared to external yardsticks which provide appropriate incentives to increase shareholder value depends entirely on their qualitative and quantitative design. For this reason, Union Investment has defined a catalogue of ambitious quality criteria, thereby adopting the perspective of shareholders themselves.

Appropriate personal investment: An optimal stock option programme must incorporate a high level of personal investment into each option issued. SOPs which do not entail personal investment entice managers into taking excessively risky decisions. SOPs which involve a degree of personal investment mean that managers participate in the risks confronting their companies.

Ambitious performance target yields: The exercise of options must be linked to both a relative and absolute performance target yield. A relative performance target yield would preferably refer to a company-specific benchmark which would need to be exceeded in the long run. This would prevent unjustified windfall profits. The absolute performance target yield should be at least 8 percent p.a. Additional management compensation is only appropriate if a suitable risk premium is generated over and above the yields available on bonds. A combination of both performance targets would guarantee that financial rewards are only reaped for outstanding performance.

Restricted use: Boards of directors and top management must be able to profit to a reasonable degree from non-transferable SOPs. These decision-makers have an influence on the strategic trajectory of share prices. In order, amongst other things, to protect shareholders, an optimal SOP should not exceed a maximum potential dilution of 1 percent.

Creative accounting: Stock options must be valued at their fair market value and carried as personnel expense throughout the vesting period as required by IFRS 2 from 2005 onwards. Only in this way, costs of the SOPs become transparent.

Other important aspects: Finally, a number of different factors must be dealt with in detail. In order to create long-term incentives, maturity should be longer than five years, the vesting period at least three years with the ability to exercise options in chunks subsequently. The insider problem must also be defused by defining a fixed window within which options can be exercised. In order to ensure an appropriate compensation system, all issued op-

tions must have a profit cap. Repricing must be prohibited, as this diminishes the incentive effect of options and effectively defrauds shareholders. Volatility should be smoothed by taking at least a 20-days' average of closing share prices. Finally, the SOP must be explained in understandable, comprehensive and transparent terms.

Rating and ranking

An optimal SOP would be rated by Union Investment with a school-type grade of 1.0. This means that the quality of all SOPs with an average grade better than 2.0 is very good – these programmes are appropriately designed in quantitative terms and consequently provide ambiguous, long-term, powerful and effective incentives to the creation of additional shareholder value. An SOP with a rating of less than 2.5 fails to meet most of these objectives.

The ratings of the stock option programmes offered by EuroStoxx50 companies show that there is a wide discrepancy between positively and negatively evaluated programmes. The programmes run by BASF, Unilever, E.on, Bayer, Allianz and Münchener Rück are among the positively rated programmes. The average rating is 3.6 which suggests that many programmes fail to meet important quality characteristics and consequently do not generate any incentive effects.

Compared with firms from other countries, the SOPs of German companies in the EuroStoxx50 have the best average rating of 3.0. With ratings of 3.6 and 4.2 respectively, SOPs in Italy and France represent a free lunch for managers at the cost of shareholders. Nine of the twelve worst programmes are run by French companies. The reason for this is the lack of transparency and the failure to build ambitious targets into these programmes.

Top rating: BASF – Bottom of the class: Alcatel and SAP

The BASF programme comes very close indeed to meeting the criteria for an optimal SOP. Only if BASF managers finance one share by themselves they are entitled to receive four options from the company. The DJ Global Chemicals Index must also be exceeded. However, on the downside an absolute yield of just 3.3 percent per annum is required – as a result, BASF falls well below the target yield set by Union Investment. The programme is fairly small scaled and only involves a maximum potential dilution of 0.7 percent. Options are priced at their fair value and capitalised throughout the vesting period. The term is eight years – the vesting period two. Long, negative exercise windows, a cap and an extremely transparent presentation round off the list of positive features.

The lowest rankings go to companies such as Alcatel which provide practically no information about their SOPs – not even in response to direct inquiries. The ranking for these companies is correspondingly poor. The SOP run by SAP is just one of the many negatively rated programmes mostly run by technology companies. SAP does not expect its managers to make any personal investment of their own, for example. An absolute performance target yield of a mere 1.9 percent per annum is required. Yields equal to the rate of return available on savings books can hardly be regarded as an appropriate performance target yield for shareholders. Furthermore, the programme entails an unreasonably maximum dilution of 4.4 per cent. Options are spread indiscriminately among all employees with a cap applying only to members of SAP's Executive Board.

Conclusion: A qualitatively and quantitatively optimal SOP provides ambitious, long-term and effective incentives for managers. Before setting up or continuing a bad and excessively large stock option programme, companies would be well advised to consider other compensation tools available for managers.

The Union Investment studies "Stock Option Programmes of DAX companies 2004" and "Employee Stock Option Programmes of the EuroStoxx50 Companies 2004" on the Internet:
www.union-investment.de → "Presse".

Alexander Koeberle-Schmid

Stock Option-Tuning

Many companies have recently subjected their stock option plans to critical review. In response to massive public criticism, some companies have decided to adopt a policy of "stock option tuning", changing the design of stock option plans to make it more difficult for management to make (high) profits from exercising their options. Other companies, such as Microsoft, DaimlerChrysler or Deutsche Telekom have already announced their decision to abandon stock options altogether. The fact that stock options have fallen out of favour does not, of course, mean that companies are giving up their share price orientation entirely – bonus payments will continue to be linked to share performance in the future. In many cases (i.e. Microsoft) stock options will quite simply be replaced by the stocks themselves.

Ambitious stock option plans

A prominent example of the way in which more recent stock options are being designed is provided in the evaluations in the Union Investment Study 2004 (http://www.union-investment.de/ → Presse). The study positively ranked increased personal investment by managers for example (the school grade 'one' was given if managers held one of their own company's shares for every option issued to them), high absolute target yields ('one' for a target yield of more than 8 percent p.a.) and modest programme scope ('one' for an option right to fewer than 1 percent of shares). "Mar-

ginal factors" also contributed to a positive ranking – such as, caps on potential exercise profits and combined exercise hurdles involved the yoking together of absolute and relative target yields (e.g. the development of a benchmark index). Steps towards more ambitiously designed stock option plans have primarily been made in response to public criticism of the appropriateness of previous plans: Managers, it is felt, should not be able to continue "unjustifiably lining their own pockets" – in other words, they should not profit from exercising option rights without contributing the sort of performance which might appear to "reasonably" justify such enrichment.

Incentive effects of stock options

Academic studies focus primarily on the incentive effects of stock options. Acceptable stock option plans have positive incentive effects which may be expected to result in price increases which will pay for the cost of the options. Inevitably, such plans lead time and again to "unjustified" exercise profits. Two aspects of the incentive effects of stock options are examined - on the one hand, the incentive effects of options or alternative forms of compensation, including shares in particular, and on the other the impact stock options have on decision-making processes. Incentive effects are mapped simply in terms of the motivation of managers to make productive efforts. Most of the findings in this area support the policy of abandoning stock options. The analysis undertaken by Feltham/Wu (2001), for example, shows that shares are a more suitable means of motivating managers than are options. The reason for this is the risk of loss attached to shares. Shares prices can of course fall below their original issue price – a risk that does not exist or is nothing like as great in the case of options – and shares are consequently more likely to induce greater effort on the part of managers who hold them. The influence of stock options on decision making can be initially measured in terms of the basic criteria of their compatibility with incentive effects: performance-related pay may be compatible with incentives if the benefiting manager only gains a financial advantage if their management decisions also result in financial benefits for the company owners. This seemingly innocuous condition has very wide-reaching implications. To begin with it excludes any limits on performance-related compensation. Upper compensation limits must therefore be rejected from this point of view – even the exclusion of losses associated with stock

options violates the criteria of incentive compatibility. On the other hand, assuming that managers would tend to avoid entrepreneurial risk if they were to participate symmetrically in profit and loss developments, incentive compatibility demands much greater participation in profits than in losses and this in turn favours stock options. The "dosage" is the key issue, however. The less likely it is that options will end in the money (i.e. the higher the exercise hurdles) the more likely it is that an excessively conservative style (no stock options) is likely to switch to an excessively risk-oriented management style (with stock options). In contrast to shares, however, one of the characteristics of stock options is that they are suitable tools for steering management decision-making in a direction which is more likely to benefit shareholders.

Consequences of "ambitious" stock option plans

Ambitious absolute and relative exercise hurdles are widely believed to make for improved stock option plans. From an incentive point of view, however, excessively ambitious hurdles can be extremely problematic. Arnold (2004), for example, has demonstrated that options inevitably trigger distorting incentives if the absolute or relative target yields defined by a stock option plan were really to be designed in the way generally demanded. One has only to imagine what would happen if a manager were to be presented with the choice of reinvesting operative cash flows in real investment projects or of investing such resources at no risk at all. From the point of view of the owner, investments are beneficial when their market value is greater than the return offered by the risk-free investment. If, on the other hand, the manager has to exceed an absolute target yield which is higher than the risk-free rate of interest, a risky investment with a negative market value would also be preferred to a risk-free money investment provided the chances are good enough that it will exceed the required yield. Similar considerations apply to an ambitious relative target yield – this could also have distorting incentive effects.

Requiring managers to make a minimum personal investment appears to be a good idea, at least in principle. This requirement would involve a combination of shares and options, a combination which under relatively general condi-

tions really would appear to offer a suitable method of steering investment decisions (cf. Arnold 2004). On the other hand, it is not possible to define what might be an optimum level of personal investment. It is certainly not the case that more shares per issued option are always better. Calls for profit caps obviously conflict with the aim of incentive compatibility. A stock option plan will not prove compatible with incentives by reacting to the limits on potential losses by placing similar limits on potential profits.

Another problem area which continues to be neglected and which is seldom taken into account, and even then inadequately, in stock option plans is the influence of stock options on financing and dividend decisions. Most stock option plans, for example, are not dividend protected – managers do not receive any kind of compensation if they pay out dividends and the value of their (as yet unexercised) options sinks as a result. This results in a strong tendency on the part of managers not to pay dividends. The problem is not that simple to solve, however. There are problems with all forms of compensation for dividend payments (dividend protection). Stock option plans usually imply specific incentive effects as regards dividend decisions. Similar considerations apply to all other financing decisions. It is doubtful whether these incentives are actually desired, or even recognized. There is in fact still a great deal of tuning potential in this area.

Influence of general constraints

At the present time there appears to be a trend back to profit-related forms of compensation – in other words, pay concepts which were once abandoned in favour of share price-oriented compensation. One frequently cited argument in favour of this profit orientation is the supposedly lower susceptibility to manipulation – manipulations would, after all, eventually manifest themselves in profit levels. This argument would only be convincing, however, if it were possible to assume that window dressing really were to be reflected directly in higher share prices without later accounting corrections having an equally great impact on the subsequent development of shares. The core problem is in any case quite different – in fact it is "biological" in nature: the relatively short time horizons within which managers operate. Extending these horizons – either by means of a "bonus bank" or by longer terms and vesting periods for stock options – is the most important tool for defusing the problem of manipulation. What is more, consideration also needs to be given to the relative merits of the two yardsticks – profits and share prices. In this context, it is often forgotten that the quality of stock options as a form of compensation – like that of any other share price oriented form of payment – is primarily determined by the development of share prices and the factors which determine this development (publicity requirements, capital market organisation, or stock exchange supervisory bodies).

Prof. Dr. Robert M. Gillenkirch

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Long-term Incentives in Germany

In the framework of value-based management, one method of tackling the disadvantages arising from the basic conflict of interests between top management and investors has proven to be implementing performance-related incentive systems. An example of incentive systems of this type are long-term incentives (LTIs) for executives and employees. Notwithstanding the controversial public discussion in this area, long-term compensation elements have continued to grow in importance in German firms in recent years. At the present time, 29 of 30 DAX companies use one or more of such compensation elements. LTIs are often the only compensation component available to internationally operating companies which has an uniform worldwide design and which focus the executives on the success of the company as a whole and to shape a homogeneous corporate culture at every level of the company. Companies which do not have comparable compensation instruments at their disposal are at a significant disadvantage when it comes to attract and retain top executives and up-and-coming talents (cf. the study: Working Today, Towers Perrin Talent Report 2003).

Between corporate governance and investor demands

With the establishment of long-term – in most cases share-based – compensation instruments in Germany, public interest in such instruments, and especially that of investors, has grown considerably. Accounting scandals and, in some cases, widely exaggerated grants – particularly in the USA – have cast share-based compensation elements in an increasingly unfavourable light; in fact these developments are regarded with increasing scepticism by precisely the group of people – shareholders – they were designed to strengthen.

The German Corporate Governance Code (DCGK), for example, is intended to make company management and control rules more transparent for investors and to thus reinforce the trust of capital markets in German companies.

The code includes suggestions and recommendations regarding the compensation of board members which include the design and transparency of long-term compensation components. As far as the design of variable compensation programmes is concerned, the Code recommends that these programmes should encompass one-off and annual components related to company performance as well as elements with a long-term incentive and risk character. Stock options and similar compensation elements should be related to ambitious, relevant benchmarks. Performance objectives or benchmarks should not be modified after the event. Supervisory boards should agree capping when confronted with extraordinary and unforeseen developments. The basic outline of the compensation system, as well as the specific design of stock option plans or similar components with long-term incentive effects and risk-related character, should also be published and explained in generally understandable terms on the company's internet website and in annual reports. These publication duties should also include information about the value of stock options (DCGK Section 4.2.3).

In contrast, institutional investors and the representatives of shareholders, such as Union Investment or the German Association for the Protection of Shareholders (DSW), have developed their own catalogue of requirements which they use to measure the quality of share-based compensation instruments. The most important elements include calls for:

- **Absolute and relative** performance targets such as a rise in the company's share price or the share price increase in comparison with a relevant index
- **Personal investment by beneficiaries of plans** to ensure that beneficiaries also bear the risks shareholders are subject to
- **Minimum terms and vesting** periods to guarantee the long-term orientation of share-based compensation instruments
- **Capping the gains** based on extraordinary developments
- **Transparency** in terms of the accounting treatment and precise planning parameters
- **Limitation on the volume** of share-based remuneration components to limit the dilution impact and the personnel expense amounts shown on the balance sheet.

Market practice

Of the 30 companies in the DAX index, around 40 percent currently grant stock options, 30 percent stock appreciation rights and 5 percent convertible bonds. One in ten of these companies also offer performance cash plans and 8 percent restricted stocks and performance shares. Although three quarters of companies thus offer options in one form or the other, the trend in recent years has clearly been towards pure stock or ratio-based models. More and more non-listed companies are also granting long-term incentives in the form of so-called phantom plans usually based on shareholder value criteria (See, for example, the Towers Perrin Study on management compensation, DAX Report 2004, Frankfurt, November 2004.).

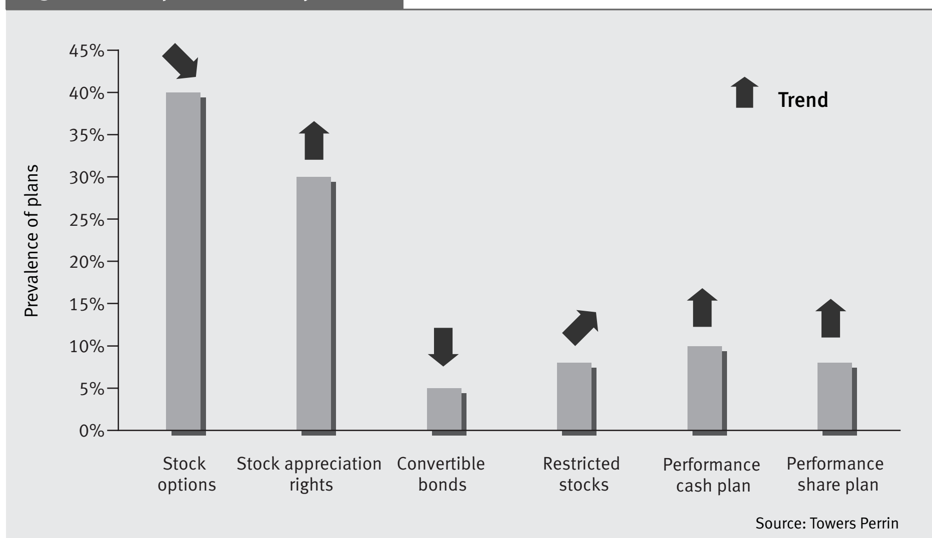
A third of these long term incentive plans make use of a combination of absolute and relative performance targets, with 7.5 percent even combining absolute, relative and ratio-based performance targets. Of those companies which only use one performance target, 22.5 percent offer premium priced options, 13 percent only relative or ratio-based targets and 75 percent only absolute performance targets.

Share prices are used as the benchmark for almost all absolute performance targets. The remaining 5 percent of plans draw on total shareholder return (TSR). In the case of relative target performance, 67 percent of plans also draw on the share price, although one third also make use of TSR, however.

The most frequently used comparative basis – 53 percent – is a broad-based market index. One third of companies use a more restricted industry index for benchmark purposes and another 14 percent draw on a more specific peer group comparison of key competitors.

The designs of 35 percent of plans used by DAX companies have a term of at least five years. These consequently play a dominant market role. Shorter periods are only used by around 17.5 percent of companies, and these are, generally, performance cash and performance share plans.

Figure 1: DAX plans currently in use



New IFRS and US GAAP accounting rules

In February 2004 the International Accounting Standard Board (IASB) issued IFRS 2, an accounting standard which requires the accounting treatment of stock-based compensation for the first time. This new standard will apply as of January 2005. At the end of March 2004 the Financial Accounting Standards Board (FASB) – responsible for US GAAP – also

submitted proposals for a revision of the previous SFAS 123 standard. According to this standard, stock options must in future be disclosed in accounts at their fair value on the day they are granted. If, for example, stock appreciation rights are granted in cash, both IFRS and US GAAP require their fair value to be disclosed on each balance sheet date. These changes are significant for German companies because, following the EU Council of Ministers' decision of June 2002, all listed companies whose registered office is in the EU must prepare their consolidated financial statements according to IFRS by 2005 at the latest.

Interesting alternatives to stock options

Changed accounting rules will bring about a reduction in consolidated net incomes in the future. Investors will therefore be more demanding with regard to the design, evaluation, number of participants, and scope of share-based compensation plans. Beneficiaries' preferences are likely to move away from stock options and towards shares. For this reason it is worth considering replacing some stock options with performance shares – although the risk profile must be taken into account with regard to the total compensation.

Changes in accounting practices will, however, mean that stock options and stock appreciation rights will lead to an increase in the personnel expenses of German firms. The key difference lies in their tax treatment: while stock options result – according to IFRS – in expense, they are not relevant for tax purposes; stock appreciation rights in contrast are tax relevant. For this reason it is important to assess whether the latter might not be an alternative to stock options as these are treated as real personnel expense under German Commercial Code (HGB) accounting regulations. In Germany, such rights would therefore be fully deductible from tax. Companies offering stock appreciation rights also enjoy significantly enhanced flexibility because they are not subject to the rules of the German Stock Corporation Act and are not, therefore, subject to resolution in shareholders' meetings.

Other alternatives are performance share plans or phantom stocks. In addition to the share price, it is also possible to gear such plans to the long-term development of one or several core corporate performance indicators. In these cases, the compensation paid to top managers is linked to the development of the company's own shares as well as the long-term financial performance of the company or company division. This alternative would be potentially feasible for the large number of non-listed companies as well.

Dirk Filbert und Michael H. Kramarsch

Directors' Dealings in Europe: Monitoring Remains Nearly Impossible

Insider trading and directors' dealings represent one of the main issues of corporate governance today, increasingly attracting public attention in Europe. In many cases insider trading and directors' dealings are used synonymously without a clear separation although the meaning of both terms differs considerably.

Insider trading refers to transactions of corporate insiders in financial instruments of their company based on secret or non-public information. Insider trading is seen as preventing full and proper market transparency, undermining investors' confidence in the market and is hence prohibited in most developed countries.

Usually it can be assumed that corporate directors and officers possess more information on the future business prospects of the firm they are working for than the market. Nevertheless they cannot be completely barred from owning and trading shares in their company, especially as many receive stocks or stock options as part of their compensation and participating in the share price development is a well-known incentive for directors. Thus, transactions by these insiders are allowed, as long as they are not based on inside information. However, to ensure transparency they need to be regulated and their content has to be disclosed to the public. These transactions are the so-called directors' dealings. The idea is that if these transactions are made public within a short period of time, outside investors can at least see how the directors have behaved and can draw their own conclusions. The proponents of directors' dealings regulations argue that public disclosure markedly reduces the potential for abusive practices. Investor confidence and market efficiency are enhanced as information becomes available quicker and is more comprehensible when directors provide explanations for their actions.

Disclosed directors' dealings are informative

Directors' dealings have been extensively analysed by academics especially for US, where disclosure has already been mandatory since 1934, and UK stock markets. The question that is generally investigated is whether board members and other company insiders earn excess returns with market transactions in their company's stocks and whether other market participants can

profitably adopt these strategies at the time company insiders make these transactions public. In the US there are large groups of investors who monitor the transactions of insiders.

Analyses of directors' dealings in the United States date back to the mid-1970s, when Jaffe (1974)[1] and Finnerty (1976)[2] examined the performance effects of management's transactions. Seyhun (1986)[3] is often referred to as one of the cornerstones in the development of directors' dealings surveys. Because of his cogent methodology and his comprehensive results, his analysis has rarely been subject to criticism. More recent studies of Bettis/Vickrey/Vickrey (1997)[4] and Jeng/ Metrick/ Zeckhauser (2002)[5] bear out the previous results. The first studies on directors' dealings in the UK were published by King/Roell (1988)[6] and Pope/Morris/Peel (1990)[7].

A general finding of these analyses is that company insiders do earn excess returns with their transactions in their company's stock. The consensus among the studies regarding whether excess returns are earned by outsiders following the reporting of directors' dealings is less strong. However, the majority of the studies show that outsiders are able to benefit from disclosed insider transactions.

Until recently there have been no comprehensive findings for Continental Europe because up until a few years ago the reporting of directors' dealings was not mandatory. Heidorn/Meyer/Pietrowiak (2004)[8], however, show that also in Germany, Italy and the Netherlands corporate insiders are able to time their transactions and thereby earn excess returns in comparison to the market. More importantly, they also show that outsiders can benefit and generate excess returns by copying reported insider transactions.

A common finding of all studies seems to be that it is not advisable to blindly pursue all reported transactions. Generally, it seems to be more worthwhile to follow reported buy transactions than sell transactions. The latter are frequently motivated by diversification or liquidity considerations, as the insiders are often merely selling securities that form part of their remuneration. Investors should also consider whether the reported trades are transactions actually initiated by the insider rather than independent trustees or whether they represent merely the exercising of options or convertibles.

Regulation in Europe

Regulations on illegal insider trading have been in place in Europe since the early nineties. By contrast, regulations on directors' dealings, in particular reporting requirements, have – with the exception of the UK and Spain, where such regulations have been in place for more than ten years – not been in existence until recently. Countries such as Germany, Italy, the Netherlands and Sweden have enacted regulations only recently and there are still major differences between legislation across Europe. Some countries have clearly insufficient regulations on directors' dealings (e.g. France that only requires a semi-annual disclosure of insider transactions at present) or none at all (e.g. Switzerland, where, however, a recently approved law will enter into Force in July 2005).

To support legal harmonisation and market transparency in the EU member states, the European Parliament and the Council enacted directive 6/2003/EG on insider dealing and market manipulation (market abuse) on 12 April 2003 and further measures for its implementation (Commission Directives 2003/124/EC, 2004/72/EC) in December 2003 and April 2004. Member States (including the ten accession countries that joined the EU on May 1, 2004) have to transpose the requirements of the directive into national law by October 12, 2004.

According to these directives directors, i.e. "persons discharging managerial responsibilities within an issuer", and persons closely related to these (e.g. spouse, legal partner, dependent children) are obliged to disclose transactions in securities of their own company within five working days to the competent national authority. Exemptions are only granted under certain circumstances, e.g. Member States are free to impose a threshold of up to EUR 5,000. If the sum of all transactions during one calendar year has not reached this threshold, publication can be delayed up to the 31st of January of the following year.

Requirements of EU directive are insufficient from capital market's perspective

Undoubtedly, this directive will result in some legal harmonisation as it requires the Member States to comply with certain minimum standards that are close to the requirements in the US. However, along two strands the directive

should have gone further from a capital market's perspective.

Firstly, the EU directive does not specify sanctions for non-compliance, these are left at the Member States discretion. In contrast, in the US in case of "wilful violations" of the provisions, the offender, if a natural person, has to pay – upon conviction – up to 5,000,000 US-Dollars or can be imprisoned for up to 20 years (or both). A legal person can be fined up to 25,000,000 US-Dollars for such an offence.

Secondly and more importantly from the capital market's perspective, the EU has not established its own framework for handling the processing of directors' dealings, it is left up to the individual Member States to decide how to collect and publicise the transaction disclosures. There seems to be no intent on the part of the European Commission to set up its own central notification point, i.e. a central European database will not be created, and neither will there be a uniform method of disclosure across the individual member states. Obtaining a general picture of directors' dealings will continue to require a great deal of effort. Investors wishing to monitor directors' dealings in Europe therefore need to deal with a variety of data sources, different languages and diverse data qualities. Monitoring directors' dealings in Europe will therefore remain nearly impossible, despite the EU directives. In contrast, in the US the transactions have to be submitted in electronic format and the SEC is to post them on a publicly accessible website operated by the Commission at the latest on the day following the filing. The issuer on the other hand shall also publish the statement on its corporate website within the same timeframe.

Dr. Bernd Meyer

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