

The Dominican Republic finally has a public stock offering in 2023: why the wait?

Given the recent announcements of share issues in the stock market of the Dominican Republic, with one of them already available and the next one in process, the question arises as to why it has taken so long to see this kind of investment in our country, especially if we consider that we have had a regulated stock market since 2000. So, what has changed in our country so that 23 years later we already have shares of a company being offered on the stock market and others on the way?

The reality is that the answer to that question is an interesting mix of factors. Firstly, the culture of our country has traditionally been more inclined towards fixed income instruments, which guarantee an exact return and the risks of loss of the investment are lower, comparatively speaking with the volatility that could exist when trading shares. However, recent years have shown a gradual change in this way of thinking, with the diversification and expansion of our securities market towards increasingly innovative variable income instruments, such as investment fund investments in real estate, tourism, and infrastructure, industrial, and even public offering trusts, which have been well received by less conservative investors.

At the regulatory level there were also various obstacles. On the one hand, although the first securities market law (number 19-00 from May 8, 2000) contemplated the issuance of shares, its complementary regulations were ambiguous regarding the requirements and left many gaps open. This was overcome with the issuance of Law 249-17 of the stock market of the Dominican Republic from December 19, 2017, and the subsequent issuance of regulations, where it has been shown that the National Council of the Stock Market has made a commendable work in its regulatory and normative powers. Additionally, the tax aspects in relation to the capital gain from the sale of shares had to be improved since it was not conceivable that in a market where multiple transactions occur at the same time, even by the same investor in the same period of time, tax withholdings should be made; This represented a burden for the listed company, as a withholding agent, which considerably complicated the agility of the transactions that must naturally occur in these markets.



This duty to withhold capital gains tax was eliminated with the enactment of Law 163-21 to promote the placement and commercialization of publicly offered securities in the Stock Market of the Dominican Republic on August 6, 2021. This law also eliminated the joint and several tax liability of shareholders of companies listed through the stock market, unless these shareholders participate in the administration of the company, or exercise, directly or indirectly, control of the administration and management.

In addition, Law 163-21 established other incentives for the placement of securities in public offering, which have been the main promoters of these share issues, which is why we mention only those related to this type of public offering, which will be valid until August 6, 2024:

1. Reduction of the capital gains tax rate to 15% for a period of 3 years after the enactment of the law.
2. Exemption from the capital increase tax rate for listed companies for a period of 3 years after the enactment of the law.
3. Not subject to payment of tax on the issuance of checks and electronic transfers for transfers of securities made by investors through checks or electronic transfers for the purpose of subscribing or acquiring securities registered in the Stock Market Registry.

In conclusion, the answer to the question posed is simple, if the panorama is examined historically. Although it has taken 23 years, today we are at an incipient but promising moment in the development of the stock market in the Dominican Republic.



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*This summary contains only general information on the topics covered, so this document does not constitute a legal opinion. Ulises Cabrera recommends seeking specific legal advice for each case.