

### Transferring an equity savings plan to another bank : this very often resembles an obstacle race still

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New legislative provisions<sup>1</sup> have simplified banking mobility since 6 February 2017. While changing banks is easy now when it comes to a current account, this new ease of transfer does not apply to equity savings plans.

#### The facts

Mr. T, holder of an equity savings plan (PEA) with bank A (the bank of origin), requested the transfer of his equity savings plan to bank B (the recipient bank) on 24 January 2017. However, the transfer only took place more than four months after his request.

Mr. T. considers that this transfer time is abnormally long and therefore requests my intervention in order to obtain reimbursement of the transfer fees by the bank of origin, which the latter refuses to do.

#### The analysis

I questioned the bank of origin, which produced the various documents explaining the different causes of the delay.

This institution first of all indicated that the client had not given it a prior document needed for the transfer of his PEA.

Once the file was completed by the client on 10 February 2017, the transfer procedure was initiated by the bank of origin. However, this institution admitted that the transfer operations had been delayed following a technical incident on this institution's account at its depository Euroclear<sup>2</sup>. This incident was only resolved three weeks later, on 3 March 2017.

The transfer of the PEA took place on 4 May 2017 after the bank of origin, as is the rule, transferred the form containing tax information (which alone enables a bank to retrace all the related history to calculate the rights and tax liabilities of the PEA holder) to the recipient bank on 26 April 2017 and then transferred the cash linked to the PEA account on 27 April 2017.

However, this institution told me that the transfer was also delayed for three other reasons that were not attributable to it:

- The first was attributable to the securities held in the portfolio: Mr. T held securities on which a securities operation<sup>3</sup>, in this case a detachment of dividends, was occurring. The bank of origin had to wait for the settlement of this transaction, namely the payment of the dividend, to be able to process this line of Mr. T's PEA (this took 15 days).
- The second reason: Mr. T held foreign securities in his PEA. However, the processing time for foreign securities is longer.
- The third reason: Mr. T also held registered shares<sup>4</sup>, which delays the completion of the transfer compared to bearer shares.

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<sup>1</sup> The Law of 6 August 2015 for economic growth, activity and equal opportunities, known as the Macron law, introducing a banking mobility provision that came into force on 6 February 2017 pursuant to Decree 2016-73 of 29 January 2016.

<sup>2</sup> A central depository provides the link between companies issuing financial securities and the financial intermediaries who keep these securities on behalf of investors or on their own behalf. Euroclear ensures the registration, custody and exchange of financial securities.

<sup>3</sup> A securities operation refers to an event in the life of a financial instrument, in particular a security issued by a listed or unlisted company (capital increase, payment of a dividend, consolidation of shares, etc.).

<sup>4</sup> The securities may be in bearer form or in registered form. Bearer shares are recorded on the financial intermediary's books of accounts. Registered shares may be recorded directly in the share register of the issuing company (pure registered) or with a financial intermediary (managed registered), but in this case, the name of the shareholder appears in the company's registers.

In view of the above, the bank was of the view that it was only responsible for one out of the four months' delay in the transfer of Mr. T's PEA, namely for the technical incident that occurred on the bank of origin's account at Euroclear. Therefore, this institution proposed a commercial gesture of EUR 630 corresponding to brokerage fees valid for six months for transactions carried out on Mr. T's securities account held by the bank of origin.

## **The recommendation**

After checking that Mr. T continued to hold an ordinary securities account in this originating institution, I considered that the solution presented by bank A was fair and adequate to compensate Mr. T for the loss of opportunity characterized by this delay in the transfer of his PEA.

## **The lesson to be learned**

While the majority of PEA transfers occur within an average of one month, the transfer time can be considerably longer in some cases. However, the resulting loss may be high for the client because, unlike an ordinary securities account, it is not possible for the holder of a PEA to hold two at a time due to the tax advantages attached to the PEA. In addition, throughout this transitional period, any securities arbitrage will further lengthen this period.

In order to reduce this delay, it is important for the holder of a PEA, prior to the transfer request, to be aware of all the documents to be provided<sup>5</sup> to the institution of origin and to the recipient institution. Nevertheless, despite the diligence of the saver, some factors may make the transfer even more difficult:

- A securities operation (detachment of the dividend, public tender offer, consolidation of shares, etc.) has the effect of blocking securities within the bank of origin during the settlement of the transaction;
- Foreign securities require the intervention of several intermediaries;
- The presence of registered shares or unlisted securities adds to the delay and the complexity of the transfer.

In addition, it must be recognized that there is often a lack of zeal on the part of the bank of origin, not to mention the many cases where in response to the initial request for transfer, the customer is initially proposed a meeting within a month to understand the reasons for such a request.

It is fortunate that the bank of origin, following the intervention of the Ombudsman, agreed to make a commercial gesture to compensate for the one-month delay in the PEA transfer time that was attributable to the bank and caused by the technical incident on its account at the central depository.

This whole problem led the Chairman of the Autorité des Marchés Financiers, upon a proposal from the Ombudsman, to seek an adjustment to the texts on a point regarding the PEA and relating to the holding of securities without market value, held in pure registered form, of companies in court-ordered liquidation, which may hold up the process for several years.

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<sup>5</sup> BOI-RPPM-RCM-40-50-60-20120912