

Sale of unlisted shares held under an equity savings plan: don't forget to pay the receipts into your plan's cash account – and inform your bank!

It is allowed to own unlisted shares under an equity savings plan (*Plan d'épargne en actions*, or PEA), but this implies compliance with a number of specific rules, notably in the event of their sale. The case I describe this month is also an opportunity to recall these rules.

The facts

At the beginning of 2015, Mrs C requested the transfer of an equity savings plan held at Bank A since 1996 to another institution. Despite several reminders, her request was not carried out. Bank A then indicated that the hold-up stemmed from the failure to take account of a sale in 2008 of unlisted shares held under the plan. Mrs C was taken aback, as she said she had noted that the sale had been recorded on her personal account details online. Deprived of the ability to effect any transaction on her plan, Mrs C asked me to intervene so that Bank A would transfer it as soon as possible.

The analysis

I contacted Bank A to obtain its observations on this matter. The institution began by confirming that it had started the transfer of Mrs C's equity savings plan, as requested, in February 2015.

In parallel with this operation, it explained that it had informed the issuer of the securities concerned of the change of bank of Mrs C's plan, informing it in the process of the composition of her account. The issuer having disagreed with the quantities of shares held, Bank A observed that in 2008, Mrs C had sold some of the unlisted shares she owned without informing it of the fact. Mrs C had credited the receipts of the sale to her current account, and that transaction was evident on her personal account details online. But the receipts from that sale should have been credited to the cash account in her equity savings plan.

Bank A informed me that as a result of this discovery, the transfer had been cancelled and the equity savings plan reopened on its own books with the quantities of shares adjusted for the 2008 sale.

The institution explained that in order to complete the transfer, it had asked Mrs C to make good her equity savings plan by paying the receipts of the sale, i.e. 31,140 euros, into the plan's cash account, as should have been done in 2008. As Mrs C did not have that amount available for transfer, Bank A suggested that she make a partial withdrawal from her plan for that same amount for credit to the plan's cash account, leaving it to her to rectify her position with regards to the tax authorities.

Bank A argued that despite numerous communications with Mrs C, which I have had the opportunity to read, it had been impossible to conclude this matter. Without action by Mrs C to rectify the situation, the equity savings plan could not be transferred.

The recommendation

After considering the case, I noted that the tax rules relating to the ownership of unlisted shares under an equity savings plan require the owner to inform the plan's manager of any transaction involving such securities and to pay receipts from these transactions into the plan.

Bearing this in mind, I observed that this information appears on the subscription form for the securities in question, signed by Mrs C. The form indicates that the signatory will "*inform [Bank A] in writing of any transaction (sale, redemption, etc.) affecting the securities so acquired (specifying the nature and number sold or redeemed*

as well as the sale or redemption date and, as appropriate, the identity of the buyer) and will pay immediately the receipts of the sale or redemption into [her] equity savings plan”.

Mrs C neither informed Bank A of the 2008 sale, nor paid the receipts from that sale into the cash account associated with her equity savings plan. I therefore consider that the bank cannot be blamed for the failure to update the quantities of unlisted shares held under the plan, an adjustment that came to light only at the time of the transfer request.

It seems to me that by asking Mrs C to pay the receipts of the sale into the cash account of her equity savings plan or to make a partial withdrawal, Bank A was suggesting solutions capable of bringing her accounts into line with the regulations¹. I therefore informed Mrs C that these suggestions, which would permit the transfer of her plan as she wished, appeared to me to be in her best interest.

The lesson to be learned

Unlike listed shares, which are generally bought and sold following a market order, unlisted shares are usually traded on an over-the-counter basis. This means that in contrast with transactions recorded on the market, the account manager is not automatically informed of such trades.

For this reason, investors acquiring unlisted shares under an equity savings plan commit to informing the plan's manager of any transaction affecting such securities. It follows that in the event of sale or redemption, it is your responsibility to inform your bank and, above all, to pay the receipts of that sale or redemption into your plan's cash account.

Either way, don't forget that the regulations applicable to equity savings plans are extremely strict. This is something I have already emphasised ([cf. February 2015, “Investing in an ineligible security within the context of a ‘classic’ personal equity plan – who is responsible?”](#)).

Read more
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¹ A partial withdrawal triggers the automatic closure of the personal equity plan only if it takes place before the eighth year, which is not the case here.