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## Equity savings plans : the AMF working group proposes avenues for improvement

The Autorité des Marchés Financiers (AMF) has published the report of the working group set up in September 2022 to analyse the difficulties encountered by some retail investors in using their equity savings plans (PEAs), in particular with transfer times. The report sets out some 15 practical proposals aimed at remedying the problems identified at the operational level and at informing retail investors more effectively about the sometimes complex PEA procedure and rules.

In response to the rise in investor complaints about PEAs, which became the leading reason for referrals to the AMF Ombudsman in 2021, the AMF Board decided to set up a working group made up of representatives of retail investors and the various professionals involved (custodians and account keepers, retail and online banks), the Direction Générale du Trésor, and the AMF. The aim was to identify the key issues and find practical solutions for this tax-efficient equity savings product, which is popular with French retail investors. According to the Banque de France, there were 5.2 million PEA securities accounts at the end of 2022.

In this report, the working group chaired by AMF Board member Jacqueline Eli-Namer presents the results of its discussions, which focused solely on "bank" PEAs, which fall within the AMF's remit. The fifteen or so proposals focus on the main areas for improvement: reducing the time needed to transfer PEAs between institutions, making the transfer process less complex, reducing the time during which retail investors cannot buy or

sell securities in their PEAs, and resolving problems related to the holding of certain types of securities.

The main proposals to simplify plan transfer processes are as follows:

- Harmonise the administrative requirements of PEA management institutions with respect to customers;
- Reduce response times between institutions in the case of incomplete files;
- Systematically use the standardised tax information form and
- Improve its automated and secure transmission;
- Limit the period during which the retail investors' arbitrages are not possible starting from the time the tax form is issued, which is a condition for finalising the transfer.

Several of the recommendations are designed to improve client information:

- Provide all retail investors who wish to transfer their PEAs with an information document explaining the various steps involved and any potential problems with their portfolios (the working group has prepared a practical sheet for this purpose, which is appended to the report);
- Explicitly inform retail investors of any restrictions the host institution may have on eligible securities;
- Notify retail investors of the various stages and inform them of any steps to be taken;
- Inform retail investors of the specific complexity factors of their plan (pledges, unlisted securities, securities transactions, etc.);
- Inform heirs of a PEA holder of the tax and legal consequences of the holder's death.

The working group also noted difficulties concerning preferential subscription rights (PSRs) for securities held in a PEA and issued as part of capital increases: it proposes a legislative amendment to the Monetary and Financial Code to make PSRs eligible for PEAs. The working group advocates another amendment to the law, which would authorise a right of rectification, strictly limited in time, in the case of an execution error by a plan holder or the institution that leads to the unintended closure of the PEA.

The group discussed other subjects at its meetings without reaching a consensus, such as custody fees for worthless securities held by companies in court-ordered liquidation and the question of whether pure registered securities should be eligible for the PEA, which could be discussed at a later date.

The AMF Board commended the work done by the various stakeholders and decided to submit the report and its proposals for public consultation until 5 June (contributions are be sent to [directiondelacommunication@amf-france.org](mailto:directiondelacommunication@amf-france.org) URL = [mailto:directiondelacommunication@amf-france.org]). It noted the commitment of market professionals to improve practices and to provide an annual update on progress through the France Post-Marché association, particularly with regard to the distribution to retail investors of the information sheet on PEA transfers, the automated exchange of the tax information needed for transfers, the objective of exceeding the current 80% of transfers completed in less than a month, and reducing the time during which arbitrages are impossible, as well as technical measures to facilitate the transmission of information between institutions.

### **About the AMF**

*The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org/en> URL = [https://www.amf-france.org/en]*

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👉 The AMF creates a working group on equity savings plans (PEAs)

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