

# THE PEA-PME AT A GLANCE

The PEA-PME is a financial framework that aims at diversifying companies' funding sources, specifically small and medium-sized companies (SMEs).

It was adopted by the Finance law for 2014\*.

## The PEA-PME

- More than 400 companies are eligible to the PEA-PME
- Close to € 78Bn total market cap.
- More than € 700M raised by PEA-PME funds since the creation of this vehicle
- 64 investment funds eligible to PEA-PME\*\*

## What is the PEA-PME?

### The principle of the PEA

The PEA was originally launched in September 1992. It is an investment scheme **which enables retail investors to acquire a portfolio of European securities whilst benefiting from preferential tax conditions**. The maximum deposit is now €150,000 and **the system only applies to securities issued by companies** whose head office is located in the EU or in the EEA.

### Eligible securities include:

- equities or equivalent securities (listed and non-listed);
- units of OPCVM (e.g. SICAV and FCP) with at least 75% invested in equities or equivalent securities.

**Dividends and capital gains are exempt from tax** (except for French withholding taxes such as the CSG and the CRDS) **after a five-year holding period**. In the event of early withdrawals, capital gains are taxed according to a sliding scale: 22.5% before two years and 19% from two to five years. Any withdrawal made before an eight-year holding period automatically entails closure of the account. After eight years, withdrawals do not lead to closing the account, but it is no longer possible to make new deposits.

Tax advantages offered by the PEA are only available to French residents, even if investments are not limited to French companies.

### The PEA-PME: designed to facilitate investments in SMEs

**The PEA-PME is based on principles similar principles to the PEA:** the same tax advantages and rules apply but the PEA-PME **is a separate account from the PEA and deposits are capped at €75,000**.

Eligible companies are:

1. European SMEs which meet INSEE requirements, i.e.:
    - companies with less than 5,000 employees;
    - an annual turnover below €1.5bn or an annual balance sheet below €2bn.
- Or
2. Companies that respect the following criteria:
    - a market capitalisation under €1bn;
    - no corporation owns more than 25% of the capital of the company.

Eligible securities are:

- equities or equivalent securities ;
- units of FCP or alternative investment funds (FCPI, FCPR et FIP) holding a minimum of 75% in European SME securities; at least 50% of them being equity. Therefore, **indirectly held debt securities are eligible**.

This framework aims to diversify funding resources available to SME and create a new financing tool for SMEs and thus **channel some individual investors' savings into the financing of the real economy**.

\* Decree n° 2014-283 issued on March 4, 2014 relating to the application of article 70 of the 2014 finance law n° 2013-1278.

\*\* Public figures, ARKEON, March 2016.

## How a listed company can benefit from the PEA-PME?

The 2014 finance law sets the conditions of companies to be eligible to the PEA-PME and the relevant calculation criteria and methodology. In some cases, calculation further refers to notions such as “partner enterprises” and/or “linked enterprises”.

For companies, to be eligible to the PEA-PME and to be effectively part of an investor’s own PEA-PME account essentially provides:

- more visibility
- access to a wider range of investors
- more liquidity of the stock.

### Issuers are invited to declare on annual basis their eligibility to the PEA-PME saving plan

As of today, there is no official, consolidated list of companies eligible to the PEA-PME. As a consequence, it is up to investors to assess the eligibility of any given company to the PEA-PME on the basis of the relevant criteria.

A press release issued by the Ministry of the Economy and Finances [no. 1169] therefore recommends all issuers to declare their eligibility to the PEA-PME.

### How to communicate on the eligibility to PEA-PME?

Although there is no prescribed means of communicating a company’s eligibility to be part of the PEA-PME, integrating this in a company’s regulated communiqués or reports is an effective way of communicating to potential investors.

Please send any communications that you decide to issue about the eligibility of your company in the PEA-PME to **MyQuestion@euronext.com**

We will maintain a consolidated, publicly available list on the Euronext website: **euronext.com/en/pea-pme**

## For more information

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