

# Restricted stock (Rule 144) transactions



Wealth  
Management

Since you are able to directly influence the actions of an issuer of stock you own, the shares are considered “control securities” according to regulatory statutes. Public sales of such control stock can present many challenges to both the issuer and seller. One of the primary reasons is that SEC Rule 144 guidelines are complex and ever-changing.

## What are control securities?

As defined by SEC rules, control persons are officers, directors, policy-making executives, major shareholders (generally owning 10% or more of outstanding shares) and others able to directly or indirectly control the management of the company issuing the stock. This includes spouses, family members who live with them, and other entities such as trusts or corporations affiliated with control persons, as defined in Rule 144. Control securities are shares owned by control persons related to that company.

Federal securities laws strictly regulate the sale of these securities. But when certain conditions are met, SEC Rule 144 allows holders of restricted or control securities to sell their stock in the open market.

## Conditions to be met for the sale of control stock

A six-month holding period that limits the amount that can be sold within a three-month period (generally no more than 1% of the outstanding shares or the average weekly volume of the stock during the previous four-week period) is required. There are also restrictions on how the stock is sold including conditions on availability of current public information.

Sellers of control stock must file Form 144 with the SEC. Lastly, control persons desiring to resell non-restricted securities must comply with the provisions listed under the “Affiliate” column, with the exception of the holding period requirement.

## How RBC Corporate and Executive Services can help

Our experienced specialists understand the current relevant rules governing all types of transactions. We can work with your RBC Wealth Management financial advisor to guide you through the process to help confirm all the conditions of Rule 144 are met. This includes assisting you with the completion of SEC Form 144 and all related paperwork. When appropriate, we can also remove the restrictive legends from stock certificates.

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