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PISCES: Assessing Its Key Features and Potential Impact

On 14 November 2024, the UK government published a response to its consultation on creating a new regulated market to trade shares in private companies: the Private Intermittent Securities and Capital Exchange System (PISCES). The response sets out key features of the new framework, which will initially operate in a regulatory sandbox, alongside draft legislation.

In response to the recent heightened appeal of private capital and the limited exit opportunities for private investments over the past three years, PISCES presents an arena for shareholders of both UK-incorporated and overseas companies that are not currently admitted to trading on public markets to exit investments quickly and easily. Intermittent trading windows, which feature bespoke disclosure requirements aimed at certain investors, provide a method of accessing liquidity that is more streamlined than transactions that require private due diligence and less burdensome than the full disclosure required for public transactions. Combined with favourable tax treatment, this new method of fundraising will be particularly attractive to young companies on a steep growth trajectory, while also providing a smoother path to IPO.

This article sets out key features of PISCES and how it will impact companies going forward.

Features of PISCES

PISCES intends to provide a regulated secondary market for private companies and will not be a venue for the issuance of new shares. Specific admission requirements will be determined by a PISCES operator. The role of the PISCES operator will be — for those with requisite permission from the Financial Conduct Authority (FCA) — to “arrange deals in investments”, “operate a multilateral trading facility” or “operate an organised trading facility”. Those considered to be exempt persons (for example, “Recognised Investment Exchanges” such as the London Stock Exchange) may also be PISCES operators.

Investors in shares traded on PISCES may be institutional investors, employees of participating companies and investors who meet the definition of “high net-worth individuals”, “self-certified sophisticated investors” or “certified sophisticated investors” under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

Other key features include:

- **Participant company control.** Companies whose shares are traded on PISCES will be able to determine the price parameters for any trading (and disclose the rationale for this in advance). They will also be able to restrict access to “permissioned” trading events in order to retain control over the shareholder base and limit unwanted dissemination of commercially sensitive information (e.g., to competitors).

Capital Markets Alert

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- **Stamp duty exemption.** Similar to growth markets such as AIM, transactions on PISCES will be exempt from Stamp Duty and Stamp Duty Reserve Tax (SDRT).
- **Settlement.** PISCES operators will have discretion over whether the participant company's shares will need to be recorded on a Central Securities Depository to participate on their platform.
- **Takeover Code.** The Takeover Code will *not* apply to a company solely by virtue of its securities being admitted on PISCES (as confirmed by the Takeover Panel's statement published on 6 November 2024).

Market Abuse and Inside Information

Tailored application of existing market abuse offences contained in the UK's Market Abuse Regulation (MAR), including the unlawful disclosure of inside information, market manipulation and insider dealing, to PISCES was originally proposed in the March 2024 consultation. However, after receiving feedback, the UK government has decided *not* to move forward with this approach. Stakeholders raised concerns that bespoke systems and processes would need to be created by private companies in order to comply with MAR, a regulatory regime they may not be familiar with and one which could not be moulded to PISCES without significant adjustments. Further, the novelty of such a regime would demand many new procedures for investors to be certain that they are not trading on inside information, and such hurdles are contrary to PISCES' initial objective of efficiency.

Instead, the UK government will give the FCA rulemaking power to create a new, disclosure-based regime for PISCES, which will not require participant companies to identify "inside

information" in the manner of public markets. Past financial information will be subject to a "negligence" liability standard and forward-looking information (which may be useful but less certain) provided in good faith will be subject to a more lenient "recklessness" liability standard. This regime should provide investors with the information they need to make informed investment decisions whilst appropriately distributing risk among PISCES participants. Abusive and manipulative behaviours will still be monitored and new rules will be enforced by the FCA.

Looking Ahead

Innovative financial regulation is a hallmark of the UK. Blending the integrity of the UK's regulatory framework with the enthusiasm of London markets, PISCES offers a potentially useful option for companies that have remained private for a long period, whether by design or because of market headwinds. Whilst reforms to the Listing Rules and the UK's prospectus regime (more detail on which can be found in Skadden's [previous July 2024](#) and [September 2024](#) articles on this topic) will shape the futures of UK-listed companies, the PISCES proposals for private companies have the potential to unlock alternative means of accessing liquidity and ease the transition to becoming a public company.

The UK government is welcoming technical comments on the draft legislation by 9 January 2025, after which the PISCES legislation will be introduced (expected by May 2025). The FCA will consult separately on its rules and, once these are finalised, applications for the PISCES sandbox will open.

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