CLIENT ALERT

The Path to PISCES - Key Milestones for the UK's First Private Securities Trading System

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The UK is establishing the Private Intermittent Securities and Capital Exchange System (**PISCES**), a new platform for private companies to trade their securities, the key features of which are outlined in our previous client alert, "*The Close of the PISCES Consultation Period – An Opportunity for Private Market Growth*".

In advance of the expected publication of the PISCES rules in June 2025, we explore several notable developments since HM Treasury published its initial consultation paper on 6 March 2024 (**Consultation Paper**), all of which point to further progress and innovation in the UK private markets.

PUBLICATION OF PISCES RESPONSE PAPER

On 14 November 2024, HM Treasury published a response paper (**Response Paper**) and draft legislation regarding PISCES. The Response Paper confirmed that the regulatory framework will largely reflect the Consultation Paper's original suggestions. This means that PISCES will only be used for the intermittent trading of shares in companies (both private and public) whose shares are not admitted to trading either in the UK or overseas. The Response Paper reaffirmed that PISCES will initially only be open to:

- institutional investors;
- employees of participating companies; and
- anyone who falls within the definition of a "high-net-worth individual", "self-certified sophisticated investor" or a "certified sophisticated investor" under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (**FPO**).

CHANGES TO PROPOSED PISCES FRAMEWORK

The Response Paper outlined certain changes to the framework set out in the Consultation Paper, establishing a more bespoke system than previously anticipated. The key changes include:

- **Customised market abuse regime:** the market abuse regime that applies to PISCES will not be based on existing UK Market Abuse Regulations (**MAR**). Instead, a customised disclosure regime will be established by the Financial Conduct Authority (**FCA**) under new rule-making powers. The Response Paper confirmed that this change reflects concerns raised by respondents to the Consultation Paper that a MAR-style regime could create significant barriers for private companies, which may not meet the higher disclosure standards.

- **No public disclosure:** there will be no requirement for companies to publicly disclose information to trade their shares on PISCES. Instead, disclosure will occur within a bespoke private perimeter. The FCA will consult on a set of new rules regarding what information must be disclosed, but the Response Paper confirmed that the government will not require a prospectus to be published.
- **New financial promotion exemption:** the FPO will be modified to create a new exemption for PISCES, which will be based on the exemptions available for promotions in mandated public market disclosures. As a result, any disclosures that participating companies are required to make by the FCA or a PISCES operator will be exempt from the financial promotion restrictions.
- **No transaction reporting requirements:** in addition to abandoning the proposal to adopt a modified version of MAR, transaction reporting requirements will not be applied to PISCES. The FCA will instead develop new rules regarding the detection and prevention of abusive trading practices.

FCA CONSULTATION – PROPOSED PISCES REGULATIONS

On 17 December 2024, the FCA published consultation paper CP24/29, which set out the proposed regulatory framework for PISCES. In CP24/29, the FCA confirmed that it is approaching PISCES with a “private-plus” mindset, meaning that it wants to build upon private market practices and risk tolerances rather than adopt a public market framework. The most notable aspect of this approach is that the FCA will not require issuers to publish a prospectus to disclose information. Instead, PISCES operators will require companies to disclose certain “core information”, which will standardise the more limited scope of information that will be disclosed across different operators. Such disclosures must be made to eligible investors before a PISCES trading event via a platform established by the relevant PISCES operator, with no requirements for such information to be disclosed to the public. In comparison to the broader scope of information that would be provided to investors in a prospectus, CP24/29 proposed categories of information more limited and appropriate for a private company, including an overview of the corporate structure, financial information, share capital and shareholder rights, majority shareholders, current or pending litigation and material contracts.

PISCES operators will also be required to develop any additional disclosure arrangements that may be necessary depending on the level of sophistication of the investors and the complexity of the companies trading on their particular platform. These additional disclosure arrangements will be left to the operators to design, but in CP24/29 the FCA contemplated the use of either a “sweeper-model”, whereby the board of a PISCES company would be obliged to disclose any other information that it believes relevant to investors, or an “ask-model”, whereby investors are permitted to make specific information requests and the PISCES operator will facilitate responses from the company.

The FCA also confirmed that MAR will not be applied to trades made on PISCES, reinforcing the point that PISCES is intended to be a tailor-made and novel trading system.

POST-CONSULTATION CHANGES

The CP24/29 consultation period closed on 17 February 2025. Most responses to the consultation approved of the FCA’s “private-plus” approach, but expressed some reservations about the proposed regulatory framework, particularly regarding the disclosure regime. Notable comments included the following:

- Some considered the scope of “core” disclosures under CP24/29 to be unnecessarily broad and too similar to public-market prospectus style disclosures, which could discourage certain private companies from participating in PISCES.
- It was suggested that the FCA’s proposal that PISCES operators could use an optional “sweeper-model” for additional disclosures would create uncertainty in the standard of disclosure and may result in an inconsistent approach across different PISCES platforms.

- The PISCES requirement for disclosures to be "easily analysable, concise and comprehensive" was noted to be unsatisfactory on the basis that such a standard would be subjective.

On 10 April 2025, the FCA issued a statement (**Statement**) setting out proposed amendments to the PISCES regime following the CP24/29 responses. Whilst the FCA stressed that its intended changes would be "technical" rather than "material" in nature, the Statement seems to address several issues flagged in the CP24/29 responses. For example:

- There will be a more limited scope of "core" disclosures than was previously suggested in CP24/29. Information relating to sustainability issues and current, pending, or likely litigation will no longer amount to "core" disclosures.
- The FCA will no longer mandate a "sweeper" model in relation to any additional company disclosures.
- PISCES rules will no longer require that disclosures be "easily analysable, concise and comprehensive".
- The FCA clarified that an audit report is only required to be disclosed where financial statements have been audited and where available and that management accounts may be provided in place of audited financials.

These amendments are not finalised and remain subject to the agreement of the FCA Board. However, the Statement shows that the FCA is committed to engaging with feedback to deliver an effective system that enhances private companies' access to liquidity.

TAX CONSIDERATIONS

On 26 March 2025, HM Revenue & Customs (**HMRC**) published a technical note for companies and employees trading their shares on PISCES.

The key conclusion reached by HMRC is that where arrangements are in place for a company's shares to be traded on PISCES, they will qualify as "readily convertible assets". This is the case even where a PISCES trading window is not open at the time of the relevant taxable event, such as the time an employee acquires shares. This is important as it means that those taxable events will trigger withholding obligations under the Pay As You Earn scheme and the need to pay National Insurance contributions (**NICs**). In practice, this means that employers will face a 15% NIC cost when employees acquire shares and will need to consider how to withhold for income tax and employee NIC at a time when a PISCES trading window may not yet be open.

HMRC also confirmed that a PISCES trading window can be a specified event that allows Enterprise Management Incentive and Company Share Option Plan options to be exercised, provided this is clear at the time of grant. PISCES transactions are also likely to be respected as being at market value, albeit that specific circumstances may warrant an adjustment.

PISCES transactions will be exempt from stamp duty and stamp duty reserve tax.

NEXT STEPS FOR PISCES

The final legislation for PISCES is expected to be published in May 2025. The FCA is currently requesting preliminary feedback from prospective PISCES operators in relation to potential operating models and rulebooks, which are obtainable by contacting the FCA. Following this, the FCA is expected to publish the final regulatory rules in June 2025. This will mark the final step in the path to launching PISCES, although the journey will continue as the markets adjust to this significant development for the UK private markets.

Toran Kaul, Trainee Solicitor, co-authored this alert.
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