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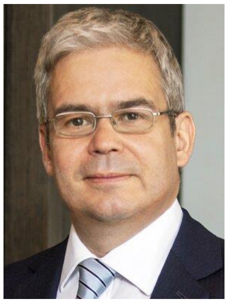
What New FCA Private Stock Market System Could Offer Cos.

By **Iain Wright** (June 19, 2025, 12:00 PM BST)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On June 10, the Financial Conduct Authority published its new Private Intermittent Securities and Capital Exchange System, or Pisces, sourcebook, which came into effect immediately.[1]

This follows HM Treasury's publication of the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025, which came into effect on June 5.

The race is now on for those proposing to operate a Pisces platform to obtain regulatory approval and open for business.

This article reviews the core features of Pisces, the regulatory approach to Pisces operators, the disclosure and liability regimes, and what else practitioners need to know.

What Is Pisces?

Pisces is a new type of intermittent private capital market being introduced in the U.K. A Pisces will be a secondary market for trading private company shares. It will offer more control to private companies over the marketing of their shares, and a lesser degree of ongoing regulatory compliance, than would apply on a public market.

A key point to note is that Pisces is not a new market, but a new type of market. The FCA expects several operators to apply for approval to operate a Pisces platform, and that, at least initially, there will multiple Pisces in operation.

Why Pisces Is Being Introduced

Fewer companies are seeking admission to U.K. public markets, with those companies doing so often being further along in their evolution than was historically the case.

This has reduced exit opportunities, and liquidity more generally, for investors in these companies, including employees looking to realize the benefits of equity-based incentives, as well as restricting the ability of new investors to access such companies.

In response, the U.K. government has proposed a number of reforms to its capital markets, including the creation of Pisces.

After a period of consultation, during which the Pisces model was significantly revised, HM Treasury and the FCA have now published the rules setting out the regulatory regime that will apply to Pisces platforms.

Core Features

The following are the core features of a Pisces:

- It is only available to private companies, i.e., those not listed or traded on any public market in any jurisdiction; non-U.K. companies can use a Pisces.
- It can only operate as a secondary market, and share buybacks are not permitted, including via an intermediary.
- Only shares can be traded.
- Trading windows must be intermittent and of limited duration; these could be regular events, e.g., quarterly, half-yearly, or ad hoc.
- Trading is intended to be multilateral, i.e., with multiple buyers and sellers.
- With some exceptions, retail investors are not permitted to participate in the market. However, directors, officers, employees and certain consultants of the company's group may participate.

In addition, a company proposing a trading event on Pisces will be able to exercise a degree of control over the trading process.

In particular, subject to the specific rules applicable to the relevant Pisces, the company will be able to do the following:

- Specify when trading events will occur;
- Set floor and ceiling prices; and
- Exclude certain types of potential purchasers from the process, provided there is a legitimate commercial interest in doing so.

Regulatory Approach to Pisces Operators

While Pisces will be multilateral platforms, they will not be classified as multilateral trading facilities, or MTFs, but will instead be a new form of market with its own bespoke regulatory framework.

The new regime will operate under a Financial Market Infrastructure sandbox created by HM Treasury under the Financial Services and Markets Act 2023, with the FCA having powers to implement and oversee it for five years.

The framework is temporary and may be updated based on lessons learned from the sandbox period. Other changes are also being made to existing U.K. laws to enable Pisces to operate, e.g., changes to the financial promotion regime.

Pisces operators are required to have a Pisces approval notice, or PAN, from the FCA in order to operate a Pisces. As part of the approval process, the FCA will consider the operational model and platform rules being proposed by the applicant.

The FCA has confirmed that several potential operators have approached it about potentially applying for a PAN.

Significant rulemaking authority relating to the oversight of Pisces operators and the operation of Pisces has been delegated to the FCA. In response, the FCA has published the Pisces sourcebook, a new part of the FCA handbook.

The regulations and Pisces sourcebook grant a degree of flexibility to Pisces operators as to how they will operate their Pisces platforms, including the rules governing admission of a company to the platform and the rules that will apply to a Pisces trading event.

With more than one Pisces platform expected to be launched, this may result in different Pisces operating, with different rules governing admission to, and the marketing and sales process on, their platforms.

A Pisces operator will be obliged to monitor compliance with its platform rules by users of the platform, and have procedures for investigating complaints and taking disciplinary action where breaches have occurred.

Disclosure and Transparency

The U.K. Market Abuse Regulation, and the wider disclosure and transparency rules applicable to MTFs, will not apply to Pisces. Instead, the FCA sourcebook contains bespoke transparency and disclosure rules for Pisces.

Before the start of a trading event, a Pisces company will be required to make certain core information available to all potential investors who are participating in the trading event — the so-called private perimeter.

The scope of the core information disclosure has been gradually reduced over the course of the consultation process, and again in the final rules, as feedback suggested that the original list was too burdensome for a private company marketplace. The final list includes:

- Business and management overviews;
- Historic financial information, and any significant change since the last published financial statements;
- Capital structure, including significant shareholders, and share rights;
- Material risk factors; and
- Details of employee share schemes, directors' transactions, material contracts and related party transactions.

The company must also disclose, before the start of a trading event:

- Certain information relating to any previous trading event;
- Any commitment to hold any future trading event;
- Information relating to any price parameters applying in the trading event; and
- Whether or not there are any restrictions imposed on who can buy shares at that trading event.

However, in addition, a Pisces operator must ensure that its platform's disclosure arrangements are appropriate for the efficient and effective functioning of the platform. Operators are given some flexibility as to how to achieve this, with the two most likely approaches being either:

- A sweeper model, where the company is obliged to disclose any other known information that it considers relevant for any investor in making their investment decision — a lighter touch version of the sweeper obligation applicable in the public sphere, e.g., under the prospectus regime; or
- An ask model, under which the Pisces platform will have a Q&A function enabling investors to request further information from the company, i.e., similar to the approach taken in private auctions, with responses available to all potential investors in the private perimeter.

The platform rules must require that, if a Pisces company becomes aware of material new developments, or material mistakes in disclosed information, before the end of a trading event, this must be disclosed to potential investors as soon as possible.

In certain circumstances, the Pisces operator will also need to consider whether to postpone or suspend a trading event. However, the FCA has confirmed that affected investors will not be given withdrawal rights.

Operators will be able, but not required, to adopt platform rules that permit Pisces companies to omit certain information that would ordinarily be required to be disclosed, provided there is a legitimate reason for doing so.

Investors will have a right to claim compensation for losses resulting from disclosed information being untrue or misleading, or the omission of any information required to be disclosed under the Pisces sourcebook or the Pisces operator's platform rules.

Liability for losses arising in relation to core information, other than forward-looking statements, will be determined, broadly, by reference to a negligence standard, while a higher recklessness standard will apply to losses arising in relation to forward-looking statements and noncore disclosures.

In addition, although the civil market abuse regime under the Market Abuse Regulation will not apply to Pisces, the criminal regime under Sections 89 and 90 of the Financial Services Act 2012 will apply.

Market Information

During a trading event, the Pisces operator will be obliged to disclose certain market information, such as current bid and offer prices, and the interest at those prices, plus the price, volume and time of any executed transactions. Such information should be provided as close to real time as possible.

Tax Exemptions

Transfers of shares on a Pisces platform will be exempt from stamp duty and stamp duty reserve tax.

This is an advantage that does not apply to purchases of shares in U.K. private companies more generally, and also puts Pisces on a par with alternative investment market, or AIM, removing one of the advantages of an AIM listing.

In addition, HM Treasury has announced an intention to introduce legislation that will enable companies operating enterprise management incentives and company share option plans to include Pisces trading events as "exercisable events," with the resulting tax advantages.

Next Steps

Although both the FCA and HM Treasury have now published their final rules, we still do not have a full picture as to how Pisces will operate. This is because the regime grants a significant degree of flexibility to Pisces operators as to the rules they will adopt for admission to, and the operation of, their platforms.

We also do not know how many Pisces platforms there will be, and what different approaches they may take on issues such as, for example, the use of intermediaries or how to approach the "efficient and effective" disclosure requirement.

In many ways, this is the whole point of the sandbox — to allow different approaches to be tried and see what works. However, in some areas where discretion has been granted, e.g., the level at which significant shareholdings become disclosable, we suspect that operators may elect for the least onerous rules so as not to deter potential Pisces companies.

At present there is no clear indication as to how long the PAN approval process will take, and so it will simply be a matter of waiting for the first Pisces platform to be officially launched.

There is likely to be a so-called first mover advantage, as being the first platform to host a Pisces trading event will create a precedent for other companies and investors to follow.

It is also possible that we may see different Pisces operators seeking to tailor their rules to make their platforms attractive to different parts of the potential market.

For example, companies that are primarily seeking to create internal equity markets for their employees may be attracted to a different regime from companies seeking primarily to provide liquidity for institutional investors.

Further Thoughts

There has been a considerable amount of discussion, both positive and more skeptical, as to the level and nature of the likely interest of companies and investors in using Pisces, as well as the potential implications of Pisces for the rest of the U.K.'s capital market's ecosystem.

One of the key measurements that the U.K. government will use to determine whether Pisces has been a success will be the extent to which Pisces companies use it as a stepping stone to initial public offering.

However, there remains some skepticism that the introduction of Pisces could have the opposite effect, by reducing the pressure on companies to IPO to provide an exit for their major investors — and could even entice public companies with low liquidity to delist.

It will be interesting to watch Pisces developments over the next several months, and indeed beyond.

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[1] https://www.fca.org.uk/publications/consultation-papers/cp24-29-private-intermittent-securities-and-capital-exchange-system.