

FCA's Vision for a New Private Secondary Stock Market: PISCES

February 11, 2025 Mina-Marie Doherty, Caroline Vickers, Tram Nguyen

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The Private Intermittent Securities and Capital Exchange System (PISCES) is an innovative regulatory framework proposed by the Financial Conduct Authority (FCA) designed to create a secondary market to trade private company shares.

It integrates elements of public market features, such as multilateral and periodic trading, with those of private markets, to give companies greater control over their disclosures, trading schedules, and which investors can participate in their trading events.

PISCES was designed to address two key issues. Firstly, it offers private companies and investors a way to access increased liquidity in a cost-effective manner, by enabling periodic trading events with fewer regulatory requirements. The framework supports growth and facilitates exit opportunities for investors without requiring full public market exposure and disclosure requirements. For example, certain regulatory requirements applicable to shares “traded on a trading venue”, such as those under the UK Market Abuse Regulation (MAR) or the UK Markets in Financial Instruments Directive (MiFID II), will not apply to shares traded on PISCES; which will also be exempt from stamp duty, similar to those traded on AIM. With its tailored approach, PISCES aims to strike an effective balance between reducing regulatory burdens while maintaining adequate safeguards for investor protection.

Secondly, PISCES allows for broader investor access, providing non-institutional players, such as sophisticated retail investors, a platform through which they can invest in high-return private companies' shares (albeit with limited pure-retail investor access). As companies choose to stay private for longer to avoid the regulatory burdens of going public and take advantage of growing private capital, non-institutional investors risk missing out on investment opportunities without platforms like PISCES to bridge the gap.

The impact of PISCES extends to a wide range of stakeholders. Private companies seeking new ways to unlock liquidity are at the forefront of the initiative. At the same time, sophisticated retail investors can tap into a more structured and transparent market, while institutional investors, such as venture capital funds, will enjoy enhanced liquidity for their private company shares. In a similar vein, Nasdaq Private Market operates a secondary trading venue for private companies in the US and, in May 2024, the Dubai Financial Market also launched plans for ARENA, a platform for “initial private offerings”.

The development of PISCES follows a structured timeline, with several key milestones ahead. By the end of this month, the FCA will have collected feedback from stakeholders, and in May 2025, HM Treasury is expected to introduce the statutory instrument that will establish the PISCES sandbox framework. Over the next ten years, PISCES will operate within the sandbox environment, with ongoing monitoring and adjustments based on participant feedback and market performance.

The FCA's approach with PISCES marks a significant step towards reshaping the UK's financial services landscape. By fostering innovation, while maintaining appropriate regulatory guard rails, this initiative continues to position the UK as a leader in private capital markets. It also aligns with broader government reforms, such as Rachel Reeves' Mansion House speech, which emphasised the balance between regulatory oversight and economic growth.