

## Consultation Paper CP24/29\*\*

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# Private Intermittent Securities and Capital Exchange System: Sandbox Arrangements

December 2024

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We are asking for comments on this Consultation Paper (CP) by **17 February 2025**.

You can send them to us using the form on our [website](#).

Or in writing to:

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# Contents

	Foreword . . . . .	Page 4
<b>Chapter 1</b>	Summary . . . . .	Page 6
<b>Chapter 2</b>	The wider context. . . . .	Page 11
<b>Chapter 3</b>	Operator requirements: disclosure arrangements . . . . .	Page 17
<b>Chapter 4</b>	Operator requirements: organising and running trading events . . .	Page 33
<b>Chapter 5</b>	Operator requirements: market manipulation and oversight. . . . .	Page 55
<b>Chapter 6</b>	Our approach to operating the PISCES sandbox and application requirements . . . . .	Page 61
<b>Chapter 7</b>	Trading intermediary requirements: promotion and distribution . .	Page 65
<b>Chapter 8</b>	Modified application of Handbook rules and guidance. . . . .	Page 77
<b>Chapter 9</b>	Fees . . . . .	Page 87
<b>Annex 1</b>	Questions in this paper . . . . .	Page 89
<b>Annex 2</b>	Compatibility statement. . . . .	Page 94
<b>Annex 3</b>	Abbreviations used in this paper. . . . .	Page 99
<b>Appendix 1</b>	Draft PISCES Sourcebook Instrument	
<b>Appendix 2</b>	Draft PISCES Consequential Instrument	

## Foreword



**Simon Walls**

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Director of Markets

Private markets have grown and are supporting more companies for longer in providing the capital they need. This is happening around the world, not just in the UK.

These changes mean that there is demand from investors for an organised marketplace on which to buy and sell stakes in growing private companies, with all the potential returns and risk that entails. This is the inspiration for these proposals.

The Private Intermittent Securities and Capital Exchange System (PISCES) will bring together buyers and sellers in the shares of private companies in a single regulated platform – as trading venues do at the moment for public companies – to provide new investment and trading options. This will create opportunities for better, more diversified returns for investors.

By bringing some of the trading infrastructure used in public markets to private companies through PISCES, these markets will better serve a wide range of companies across more stages of their life cycle. This will promote growth and support innovation in our economy.

We have engaged widely before setting out proposals on how PISCES might work in practice. We have heard clearly that, for PISCES to succeed, the regulatory framework must protect existing features of private markets – where companies retain control and requirements are appropriate. Our proposals will enable a variety of PISCES models to be tested, stimulating innovation and competition.

The draft legal change that would enable PISCES envisage a range of different investors will be able to access PISCES trading events, enabling a broad pool of liquidity. It is intended to connect existing shareholders wanting to sell shares (including those that are company employees) with a variety of buyers. These buyers will include institutions and retail participants who meet the criteria to be considered as sophisticated or high net worth investors.

We have proposed PISCES with a 'private-plus' mindset. We want to build on and enhance private market practices and risk tolerances rather than using public market standards as a starting point for designing the regulatory framework. This entails some bold choices, for example in not requiring issuers to disclose inside information.

PISCES would be a significant innovation in the UK. One we want to get right. That is why PISCES is being delivered through a financial markets infrastructure sandbox. This means we can test our framework, learn from our experience of operating it and change it if it makes it better.

We will also continue our wide engagement.

We are keen to hear views on our proposals from all prospective operators, companies, participants, intermediaries and advisers as we work towards the launch of the PISCES sandbox in 2025, working in close partnership with the Treasury.

## Chapter 1

# Summary

### Why we are consulting

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- 1.1** We are consulting on the regulatory framework for the Private Intermittent Securities and Capital Exchange System (PISCES).
- 1.2** PISCES will be a new type of trading platform that enables intermittent trading of private company shares using market infrastructure. It will use public market features such as multilateral trading, as well as private market features to give companies greater discretion over how and to whom their disclosures are distributed, when trading occurs, and which investors can participate in their trading events.
- 1.3** The proposed regulatory framework for PISCES will be established under a Financial Market Infrastructure (FMI) sandbox created by the Treasury. Our consultation should be read alongside:
- The Treasury's response to its consultation on the PISCES sandbox.
  - The draft Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025 ('the draft PISCES sandbox regulations').
- 1.4** The Treasury has confirmed it will give us powers to implement and oversee the operation of the PISCES sandbox which is expected to run for 5 years.
- 1.5** This consultation contains our proposed rules and guidance for the PISCES sandbox. We also include alternative options we considered in our policy development process.
- 1.6** This framework is temporary, and we may need to update it as we learn from the operation of PISCES. This will help shape the possible permanent regime.
- 1.7** Under the draft PISCES sandbox regulations, there is no statutory duty to consult on our proposals to implement and operate the PISCES sandbox. While we are choosing to consult on our approach now to give fair consideration to the impact of our proposals on stakeholders, we may choose not to in future.
- 1.8** The draft PISCES sandbox regulations contain an indicative schedule of modified legislation. The proposed modifications include the disapplication of our statutory obligation to consult on rules, which includes the obligation to publish a Cost Benefit Analysis (CBA). This reflects that:
- The PISCES sandbox is itself a mechanism to test the proposed regulatory framework, and our proposals may need to be modified during the sandbox period.
  - The uncertainty of who will participate in the PISCES sandbox, and the business models that could be tested within the sandbox, makes any current assessment now speculative and therefore less helpful.

- Participation in the PISCES sandbox is voluntary, and our proposals are therefore not being imposed on firms.

## Who this will be of interest to

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**1.9** Our proposals will be of interest to:

- trading venue and platform operators
- private companies
- current and potential investors in private companies
- regulated trading intermediaries
- post-trade service firms
- professional advisors, including lawyers and accountants
- relevant trade bodies and associations

## What we want to create

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**1.10** We want to create a regulatory framework for PISCES which:

- Encourages and supports operator, company, and investor participation.
- Enables innovation and helps firms access capital, supporting growth in the UK economy.
- Accommodates different operator business models and service features.
- Addresses relevant risks proportionately while avoiding disproportionate regulatory burden and friction for companies and other participants.
- Enables further change during the sandbox period to ensure the above objectives are met.

**1.11** We want to ensure the regime is attractive to companies and other participants, while limiting the risk of potential harm through appropriate and proportionate rules and protections.

**1.12** The regulatory framework for PISCES will differ from other markets. Notably, the UK Market Abuse Regulation (UK MAR) will not directly apply to shares admitted to a PISCES platform in and of themselves. UK MAR would only apply in the limited circumstances where the PISCES share had an impact on the price or value of another financial instrument admitted to trading on a UK (or other in-scope) trading venue. Overall, we believe that our proposed framework will deliver a level of investor protection appropriate for PISCES' specific characteristics.

**1.13** Table 1 shows the key features which distinguish PISCES from multilateral trading facilities (MTFs) and crowdfunding platforms operating under an arranging permission.

**Table 1: Distinguishing features of PISCES**

<b>Feature</b>	<b>PISCES</b>	<b>MTF</b>	<b>Crowdfunding platforms</b>
<b>Market type</b>	Secondary only	Primary and secondary	Mainly primary
<b>Trading Venue</b>	No	Yes	No
<b>Trading activity for a given share</b>	Must be intermittent and of limited duration	No restrictions on when trading can take place	Some firms provide a bulletin board to connect buyers and sellers to negotiate bilateral transactions
<b>Market Abuse Regime</b>	No	UK MAR	No
<b>Transaction reporting</b>	No	Yes	No
<b>Disclosure regime for secondary markets</b>	Non-public and intermittent disclosures. Bespoke regime including a core information requirement	Public and continuous disclosures under UK MAR. Other disclosures for public offers derived from the UK prospectus regulation and (in future) the POATRs	No, as crowdfunding platforms are principally concerned with private market issuance
<b>Investor access</b>	Statutory requirement to ensure that only certain categories of retail investor can participate	May include mass market retail	Broad access, subject to certain restrictions on financial promotion
<b>Issuer flexibility over trading events</b>	Issuer determines when shares are traded. Issuer can request certain restrictions over investor participation in trading events and restrictions on price through price parameters	No	No

**1.14** We are consulting on a standalone sourcebook for the PISCES sandbox that contains some new rules and guidance – the draft PISCES Sourcebook (PS) in Appendix 1. It also applies and modifies existing provisions in our Handbook. We have retained existing Handbook terms, definitions, categorisations and requirements where possible. We are also consulting on limited proposals to amend existing rules for the PISCES sandbox, set out in Appendix 2.



- 1.15** Firms who want to operate a PISCES platform will need to apply to us to enter the sandbox. We will review these applications against the requirements contained in our final rules. Chapter 6 gives further information on this process.

## Outcomes we are seeking

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- 1.16** We want PISCES to be an innovative, flexible, efficient and effective solution for private companies to provide investors with concentrated liquidity events, to buy and sell shares. It should enable private companies to access a broader range of investors, strengthening their capital-raising prospects, growth aspirations and support potential future transition to public markets.
- 1.17** Our proposals should strike an appropriate balance between incentivising operator, company and investor participation with appropriate protections. Investors must understand the higher risks compared to the current protections on public markets. This consultation explains the key differences. We welcome feedback on whether these strike the right balance for all PISCES users.
- 1.18** Our proposals should provide a consistent and coherent framework for the PISCES sandbox along with the Treasury's final SI. We will work with the Treasury when considering feedback to resolve any issues identified.

## Measuring success

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- 1.19** The Treasury is required to prepare a report on the PISCES sandbox. This includes a description of the arrangements, an assessment of their efficiency and effectiveness and whether and, if so, how to make them permanent. The Treasury must consult us in preparing this report.
- 1.20** To help measure the success of the PISCES sandbox, we will:
- Assess how many expressions of interest we receive from prospective PISCES operators and how many get approved to participate in the sandbox.
  - Monitor the number, profile, and trend of companies taking part in PISCES trading events, to assess whether the framework attracts their participation.
  - Monitor the number, profile, and trend of companies taking part in PISCES trading events that subsequently move on to public markets.
  - Monitor the volume, value and trend of transactions executed on PISCES platforms, to assess whether the framework effectively concentrates liquidity in trading events and supports effective price discovery for investors.
  - Monitor broader participant feedback, particularly on disclosures, manipulative trading practices and market access, to evaluate whether the regime is operating effectively, and that investors and companies understand their rights, obligations and protections.

- 1.21** We will gather data during the sandbox period to help us prepare our input into the Treasury’s assessment of the sandbox arrangements, and any consultation we may publish on making our rules permanent. We would aim to provide a CBA as part of any such consultation.

## Next steps

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- 1.22** Please provide your feedback by 17 February 2025. We will consider all responses as we finalise the regulatory framework for PISCES.
- 1.23** We will publish made rules after the Treasury has laid its final SI before Parliament, which we expect to be by May 2025.
- 1.24** We will publish further information in early 2025 about pre-application engagement opportunities for firms interested in applying to be a PISCES operator.

## Chapter 2

# The wider context

## The regulatory context for our rules under the PISCES sandbox arrangements

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- 2.1** Under the UK MiFID framework, non-discretionary multilateral systems in financial instruments must be operated as a regulated market or a multilateral trading facility (MTF).
- 2.2** While a central tenet of a PISCES platform is that it utilises a non-discretionary multilateral system for trading financial instruments, the Treasury has confirmed that in the PISCES sandbox the requirement to operate such a system as an MTF or regulated market under the Recognition Requirement Regulations (RRRs) will be disapplied. We will propose a similar modification to our rules to be consistent with this.
- 2.3** The Treasury has also confirmed that a PISCES platform that is operated under the draft PISCES sandbox regulations is not to be treated as a trading venue under UK MiFIR.
- 2.4** PISCES operators that are Recognised Investment Exchanges (RIEs) will be subject to the RRRs for the operation of a PISCES platform. The Treasury sets the RRRs. However, because of the above proposals, operators (whether RIEs or firms with a Part 4A permission) would not be subject to the legal and regulatory requirements that apply specifically to operating trading venues (such as public transparency), unless specifically applied or applied in a modified way.
- 2.5** As confirmed by the Treasury, UK MAR will also not directly apply to shares admitted to a PISCES platform in and of themselves. This would enable companies using a PISCES platform under the draft regulations to control who sees their confidential information, and when, and to set price parameters for trading.
- 2.6** The Treasury have also confirmed that institutional and professional investors, as well as a limited subset of retail investors, will be permitted to buy shares on PISCES. It also intends to allow the purchasing of PISCES shares through bare trustees, nominees or custodians.
- 2.7** Against this legislative background, the draft PISCES sandbox regulations propose to give us broad powers to make rules to implement and operate the PISCES sandbox arrangements. This includes powers to both modify the application of, or disapply, existing rules or technical standards and to impose new requirements. The draft sandbox regulations provide that new requirements may cover, but need not be limited to, (1) company disclosures, (2) preventing and detecting abusive trading practices and (3) promoting, distributing and marketing of shares admitted to a PISCES platform. Our PS in Appendix 1 has a chapter dedicated to each of these topics.

**2.8** We have structured and organised this consultation with dedicated chapters that align with the PS in Appendix 1.

## **Our approach to designing rules for PISCES**

**2.9** This consultation sets out our approach, objectives, and proposed rules for PISCES. We also highlight the material risks, uncertainties and trade-offs we have considered.

**2.10** The backbone of our proposals is a tailored disclosure regime. This is supported by various provisions, including:

- Appropriate risk warnings for investors about the risks specific to PISCES. In particular, these warnings will relate to liquidity and future exit opportunities, the fact that UK MAR will not directly apply to admitted PISCES shares and that disclosures are not approved.
- A bespoke trade transparency regime limited to participating investors.
- Rules and guidance on a PISCES operator's role in their oversight of manipulative trading practices, without a civil market abuse regime.
- Transparency on the details of upcoming PISCES trading events.
- How operational requirements that apply to other trading venues may apply to PISCES.

**2.11** We are also consulting on our proposal to apply Financial Ombudsman and Financial Services Compensation Scheme (FSCS) coverage for eligible investors. This would be for regulated services these investors receive from intermediaries where they have a client relationship.

**2.12** Trading on PISCES will be between multiple buying and selling interests under the rules of the PISCES operator. As a result, there will be no direct contractual relationships between the buyers and sellers of shares governing the disclosure of information. There is a risk that users may be able to manipulate trading events through their behaviours. So, to protect market integrity and investors, it is important that there is effective monitoring of disclosures by companies and the conduct of persons trading on PISCES.

**2.13** Given the unique regulatory framework for PISCES our proposals recognise that operators are best placed to provide oversight of their platforms. Serious or repeated breaches of the PISCES operator rules and misconduct by PISCES companies or other users would pose risks to those trading on a PISCES platform, to market integrity and to the reputation of the PISCES market. So, our proposals place obligations on the PISCES operator to oversee its arrangements and monitor for such rule breaches and misconduct.

**2.14** However, our expectations of PISCES operators need to be sensitive to the distinct challenges of monitoring the conduct of private companies where UK MAR does not apply. PISCES companies and members will be responsible for complying with the relevant PISCES operator's rules. While operators have monitoring obligations, the company remains responsible for complying with those rules.

- 2.15** We support operators taking decisive action to protect their market and investors. Paragraphs 4.104 to 4.111 set out various types of disciplinary actions that a PISCES operator must have at its disposal under its rules. These include postponing, suspending or terminating a trading event and, in extreme cases, refusing or cancelling a PISCES company's admission to their platform.
- 2.16** Given these challenges, PISCES operators will need to apply an appropriate evidential threshold to any intervention or disciplinary action. We believe that a PISCES operator's rule-based powers, combined with their expertise to reach regulatory judgements, should enable it to meet our proposed monitoring responsibilities in a generally effective way.
- 2.17** We set out our proposals on PISCES operator obligations, and how we intend to interpret them, within the relevant chapters below covering operator requirements. These proposals apply similar obligations to those that already apply to a trading venue operator, while recognising these should be risk-based and proportionate to the intended outcomes for this unique form of market. Within the sandbox, we would engage with PISCES operators to understand their monitoring and decision-making when assessing the appropriateness of our proposed arrangements.
- 2.18** Our proposed rules currently only reflect an intermediated model where investors do not interact directly with the PISCES operator. We would still welcome discussions with firms who propose a non-intermediated model. We may propose further rules to accommodate that model if there is sufficient demand and would work with the Treasury to achieve this.

## How it links to our objectives

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### Consumer protection

#### ***Re-balancing risk and investor protection to support innovation and growth***

- 2.19** Our rules are designed to deliver appropriate consumer protection in the context of other similar high-risk, illiquid investments available to high net worth or sophisticated retail investors under the Financial Promotion Order (FPO), or employees of participating PISCES companies.
- 2.20** Eligible retail investors trading on PISCES must understand that future liquidity in these shares will never be guaranteed. See paragraph 4.116 for more detail.
- 2.21** We propose to restrict the promotion and distribution of PISCES shares to retail PISCES investors. These restrictions are similar in policy intent to those currently used in our financial promotion rules for restricted mass market investments.
- 2.22** We also propose that the Financial Ombudsman and FSCS regimes cover regulated activities undertaken in the PISCES sandbox.

## Market integrity

### *Market integrity without a civil market abuse regime*

- 2.23** Our proposals set out proportionate obligations for operators to monitor their market and support a range of potential interventions. These may be necessary where there is evidence that misconduct on their market poses a risk to investors and the integrity of PISCES.
- 2.24** The criminal market abuse regime under section 89 and section 90 of the Financial Services Act 2012 will continue to apply to shares admitted to a PISCES platform. We would expect PISCES operators and firms carrying on activities involving PISCES shares to address the financial crime risks appropriately.

## Competition

### *Encouraging competition in the PISCES sandbox*

- 2.25** In setting out our proposals, we have considered competition between PISCES operators and within trading events amongst buyers and sellers. PISCES aims to provide a bespoke regulatory framework for private secondary markets, which allows for multilateral trading. Our aim is for PISCES to make these markets more efficient and transparent, providing a complementary solution to private market transactions, while also supporting companies to reach IPO. It therefore aims to complement, rather than compete with, alternative trading venue services such as crowdfunding platforms and public markets.
- 2.26** Our proposals allow for a variety of PISCES operator business models and service features, subject to our minimum requirements. This is consistent with enabling competition between PISCES operators, who may want to provide trading events for different types of private company or investors. This requires balancing the needs of prospective PISCES operators, companies, intermediaries and investors. So, our proposals on disclosure requirements should not be too costly for PISCES operators and participating companies, while ensuring that investors can make informed choices.
- 2.27** PISCES operators are required to provide a well-functioning market for both buyers and sellers. However, there will be a higher risk than in public markets that some investors, such as company employees, could have access to information not available to all other investors. This may benefit some market participants over others. This risk is compounded by potential information-sharing occurring in the private market before a PISCES trading event. Our disclosure arrangements aim to reduce this risk by providing appropriate information to investors. However, as the civil or criminal insider dealing regimes will not apply, persons will not be prohibited from sharing and trading on confidential information. Accordingly, it is important that investors understand and accept these limitations before participating. As this could affect the fairness of the market, we will monitor this during the PISCES sandbox period.

**2.28** Though we intend PISCES to complement alternative trading venue services, successful PISCES operators could become attractive to companies and investors currently using those services. For example, features such as intermittent non-public disclosures, the absence of market abuse rules, pricing parameters and permissioned auctions, could shift some market activity towards PISCES to the detriment of alternative options. This could be amplified over time, as investors prefer platforms which attract more companies and vice-versa. We will monitor for unintended consequences such as an adverse impact on the use of trading venues.

## Secondary international competitiveness and growth objective

### *Making the UK the global capital for capital*

**2.29** PISCES is designed to support the UK's international competitiveness by:

- Enhancing the UK's attractiveness to internationally active financial service firms and activity, as well as building on the UK's reputation as a leading global market for private capital.
- Supporting innovation and new developments in financial markets, by adopting a proportionate regulatory approach that promotes innovation and competition with sufficient safeguards to support trust and confidence to invest.

**2.30** PISCES is designed to support the UK's economic growth by:

- Enhancing private companies' access to new investors, enabling investment in productive assets and supporting UK companies to scale and grow.
- Enabling private companies to use established market infrastructure that enable an innovative new secondary market providing more efficient and regular liquidity events, to efficiently access new investors seeking to allocate capital to successful growing businesses.
- Providing investors with earlier access to growth companies.

## Wider effects of this consultation

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### The Consumer Duty

**2.31** The Consumer Duty (the Duty) applies across retail financial services and sets higher and clearer standards of consumer protection. It requires firms to focus on delivering good outcomes for retail customers and to put their customers' needs first. Under the Duty, we expect firms to be able to identify, monitor, evidence through data, and be able to justify the outcomes their customers get.

**2.32** The Duty applies to a firm's retail market business. The definition of a retail customer aligns broadly with the scope of the Handbook or relevant regulations in each sector. For investments, the Duty applies to business conducted with a customer who is not a professional client, as set out in the Conduct of Business Sourcebook (COBS).

- 2.33** Regulated trading intermediaries providing services to retail customers, seeking to trade on PISCES will be subject to the Duty. The Duty also applies where a firm communicates or approves financial promotions, which are addressed to, or disseminated in a way that makes it likely a retail customer will receive them. The Duty may apply to the activities of a PISCES operator depending on, for example, if they are an authorised firm.

## Environmental, social & governance considerations

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- 2.34** In developing this Consultation Paper, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under s.5 of the Environment Act 2021. Overall, we do not consider that the proposals are of broad relevance to contributing to those targets. However, our core information disclosure includes a disclosure on the sustainability characteristics of the PISCES company which are material to its business model. We will keep this issue under review during the consultation period and when considering whether to make the final rules.
- 2.35** In the meantime, we welcome your input to this consultation on this.

## Equality and diversity considerations

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- 2.36** We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper.
- 2.37** Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies). But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules.
- 2.38** In the meantime, we welcome your input to this consultation on this.



## Chapter 3

# Operator requirements: disclosure arrangements

- 3.1** This chapter outlines our proposals for PISCES operators' rules and arrangements for PISCES companies disclosing information (refer to PS 2 in Appendix 1).

## Introduction

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### The legislative context

- 3.2** The Treasury has confirmed that the regulatory framework for PISCES should include a new and bespoke disclosure regime for PISCES companies.
- 3.3** This follows feedback to the Treasury's consultation in March 2024 that a disclosure regime based on the requirements for identifying, handling, and disclosing inside information in UK MAR, however modified, would lead to significant challenges for private companies, intermediaries, and investors. Such a regime could therefore act as a significant deterrent and barrier to them participating in PISCES.
- 3.4** Respondents highlighted that PISCES arrangements should aim to build on private market practices and make them more efficient, including standardising elements of the disclosure process. They also argued that arrangements should avoid imposing disproportionate costs and burdens on companies.
- 3.5** Regulation 9(2)(a) of the draft PISCES sandbox regulations provides that the rules we may make for the purposes of the sandbox may include provision imposing requirements as to the arrangements for the disclosure of information by PISCES companies in connection with the trading of admitted PISCES shares.

### Policy objectives

- 3.6** Our disclosure arrangements proposal aims to support the efficient and effective functioning of PISCES. Investors will be given appropriate and standardised information in a proportionate way that enables costs for PISCES companies and investors to be minimised. Our approach also looks to enable innovation and provide flexibility for PISCES operators to design, propose and test various arrangements that are tailored to their markets.
- 3.7** We do not intend to apply public market standards, like those required by the UK Prospectus Regulation or by UK MAR, to the information PISCES companies provide. They are designed for more of a private 'buyer-beware' market where investors are institutional, professional, and a limited subset of retail investors, and can take responsibility for their investment decisions. The core information disclosures we set out below aim to broadly reflect the type of information a purchaser would typically request in a private market transaction.

- 3.8** Our proposals support equal access for investors to information disclosed through PISCES operator's disclosure arrangements. But they will not establish the same fair and level-playing field as is provided in public markets. This is because some investors may have information obtained outside PISCES disclosure arrangements and be able to trade on that information.
- 3.9** Our proposed approach would enable operators, where appropriate, to put in place arrangements under which investors can ask a company for further information themselves and ultimately decide whether to trade based on these responses. Our approach is supported by the risk warnings being given to investors that highlight the higher risk for investors trading on PISCES compared to trading on public markets (see paragraph 4.124).

## General approach

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### Our proposal

- 3.10** Our proposed rules require PISCES operators to include in their rules a requirement that companies must disclose a set of core information. The core information aims to provide a standardised set of information for private companies to disclose which investors would typically expect to receive. Our expectation is that it should not be burdensome to provide this while providing appropriate information to investors.
- 3.11** We propose to supplement the requirement for core information. We would place an overarching obligation on PISCES operators to ensure their disclosure rules and arrangements are, taken as a whole, appropriate for the efficient and effective functioning of their market. This recognises that, generally, the core disclosure information may not be enough to adequately inform investors. For example, it may not provide information specific to a particular PISCES company, its sector or circumstances.
- 3.12** The core disclosure information will not be comparable to the level of information that investors may get from public companies. It also may not provide all the information that investors might want to trade PISCES shares. Setting the overarching obligation as a principle enables PISCES operators to tailor additional disclosure arrangements according to the type and sophistication of the companies and investors their PISCES will serve (refer below from paragraph 3.23). Our proposed framework offers guidance on the form that such additional disclosure arrangements might take, and our expectations for them, though they are not intended to be exhaustive.
- 3.13** We propose to require PISCES operators to provide us, as part of their sandbox application, with an assessment of their proposed disclosure rules and arrangements. This assessment would need to show consideration of how their rules and arrangements are appropriate for the type and nature of the companies and investors expected on their market. We would generally expect that the nature of the PISCES operator's disclosure rules and arrangements reflect the relative sophistication of its

expected market participants. For example, a PISCES operator whose business model solely focuses on attracting institutional investors, might decide on different disclosure rules and arrangements compared to one whose business model depends largely on eligible retail investors.

**Question 1: Do you agree with the proposed approach to disclosures? Y/N. Please give your reasons.**

## Core information

**3.14** We summarise the core disclosure information in Table 2 below.

**Table 2: Core disclosure information**

No	Rule	Category	Summary
1	2.3.2(1)	Business Overview	Overview of corporate and organisational structure and description of activities and products
2	2.3.2(2)	Management Overview	Overview of management structure and details of directors and senior management
3	2.3.2(3)	Financial Information	Financial statements and any related audit report
4	2.3.2(4)	Capital Structure, Ownership, Rights	Provisions in articles of association and shareholder agreements
5	2.3.2(5)	Share Information	Information on share capital and rights and restrictions attached to the PISCES company's shares
6	2.3.2(6)	Employee Share Scheme	Summary of employee share scheme including arrangements for directors and senior management
7	2.3.2(7)	Directors' Transactions	Details of directors' transactions in PISCES shares and trading intentions for the trading event
8	2.3.2(8)	Litigation	Information about current, pending, or likely litigation or investigations (if material to the business or profitability of the PISCES company)
9	2.3.2(9)	Material Contracts or Agreements	Details of contracts or agreements (if material to the business or profitability of the PISCES company)
10	2.3.2(10)	Previous Share Capital Raises	Information on the date, issue price and amount raised
11	2.3.2(11)	Risks	Information about key material risk factors specific to the PISCES company and its shares
12	2.3.2(12)	Significant Changes	Information on significant changes including financial position, significant acquisitions/disposals and significant related party transactions

No	Rule	Category	Summary
<b>13</b>	2.3.2(13)	Major Shareholders	<p>Details of any:</p> <ul style="list-style-type: none"> <li>• Person who holds (directly or indirectly) above 10% of shares or voting rights in the PISCES company</li> <li>• Person who holds the right (directly or indirectly) to appoint a majority of the board of directors of the PISCES company</li> <li>• Person who exercises, or has the right to exercise, significant influence or control over the PISCES company</li> <li>• Any trustees of a trust or members of a firm that, under the law by which it is governed is not a legal person, meet any of the other specified conditions (in their capacity as such) in relation to the PISCES company, or would do so if they were persons, and the person has the right to exercise, or actually exercises, significant control over the activities of that trust or firm</li> </ul>
<b>14</b>	2.3.2(14)	Price Parameters	Details of the nature, and basis of any price parameters applied, and whether they were prepared by the PISCES company or by an identified independent third party
<b>15</b>	2.3.2(15)	Sustainability	Information about any sustainability characteristics which are material to its business or the profitability of the PISCES company, including information about material climate-related risks and opportunities, and a summary of key information in any published climate-related transition plan
<b>16</b>	2.3.2(16)	Forward Looking Information	<p>Forecasts of financial information of the PISCES company for at least the next 12 months</p> <p>Details of any business strategy, or objectives of the PISCES company for at least the next 12 months</p>
<b>17</b>	2.3.2(17)	Trading Events	Details of any future trading events
<b>18</b>	2.3.2(18)	Last PISCES Trading Event	Details of the traded price and volume on the last PISCES trading event

### Trading intentions (item 7 in table 2)

**3.15** The core disclosure information requires PISCES company directors to disclose their trading intentions in a PISCES trading event. Feedback to the Treasury's consultation suggested that the trading intentions of major shareholders of PISCES companies could also be desirable for investors. We believe this would be disproportionate as it would be burdensome for PISCES companies to collect this information. However, our proposed approach would not prevent PISCES operators and PISCES companies choosing to disclose such information.

**Question 2: Do you agree with the proposed approach for only requiring trading intentions from directors in PISCES companies? Y/N. Please give your reasons.**

### Major shareholdings (item 13 in table 2)

- 3.16** The core disclosure information requires a PISCES company to identify persons who:
- hold (directly or indirectly) above 10% of shares or voting rights in the PISCES company or
  - hold the right (directly or indirectly) to appoint or approve a majority of the board of directors of the PISCES company or
  - has the right to exercise or actually exercises significant influence or control over the PISCES company.
- 3.17** The core disclosure information also requires the company to identify persons who exercise, or have the right to exercise, significant influence or control over a trust or firm that is not a legal person, and the trust or firm exercises the same influence or control as described above over a PISCES company.
- 3.18** The Companies Act 2006 Part 21A requires UK private companies to create and maintain a register of people with significant control over them (PSC Register). The PSC Register applies a higher 25% threshold for the disclosure of the holding of shares or voting rights in a company. An alternative approach could be for PISCES operators to require PISCES companies to provide the latest version of their PSC Register. PISCES operators would need to ensure non-UK PISCES companies (who are not required to produce a PSC Register) produce an equivalent disclosure under their rules.

**Question 3: Do you agree with the proposed 10% threshold for identifying major shareholders? Y/N. Please give your reasons.**

**Question 4: Do you agree with the proposed approach for PISCES operators to specify their own arrangements for identifying major shareholders rather than using the PSC Register? Y/N. Please give your reasons.**

### Sustainability (item 15 in table 2)

- 3.19** The core disclosure information requires a PISCES company to disclose information about any sustainability characteristics which are material to its business or profitability. This includes information about material climate-related risks and opportunities, and a summary of key information in any published climate-related transition plan. This disclosure requirement is similar to what we proposed in our consultation on the new Public Offers and Admission to Trading Regulations regime (POATR). However, under our proposed POATR rules, companies producing a prospectus would be subject to the necessary information test. This would require them to disclose further sustainability-related information, where it was material. For PISCES, we do not propose

to apply a necessary information test, so PISCES companies would have greater discretion in identifying the relevant information to disclose to their investors. We are not proposing to include more detailed guidance on the content of these disclosures beyond the overall requirement that material information should be disclosed.

- 3.20** PISCES companies may also include those delivering sustainability-related products and services across various sectors. Given this, we welcome views on whether companies should provide other sustainability-related information or we should provide further guidance for greater transparency and consistency in reporting of sustainability information; to give PISCES companies clarity on the information they are expected to disclose; and to reflect the importance that investors might place on these or additional disclosures.

**Question 5: Do you agree with our proposed approach to sustainability related disclosures? Y/N. Please give your reasons.**

- 3.21** The core disclosure information aims to provide a standardised list of information which private companies and investors would typically disclose and expect to receive respectively. Our expectation is that this core disclosure information should not be burdensome for PISCES companies to provide, while providing appropriate information to investors.

**Question 6: Do you agree with the proposed information included on the core information list? Y/N. Please give your reasons.**

## Arrangements for disclosure of additional information

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### Our proposal

- 3.22** The core disclosure information may not in itself be appropriate for the efficient and effective functioning of a PISCES. For example, it may not provide information specific to a particular PISCES company, its sector or circumstances. We propose that where that is the case, a PISCES operator would need to put in place arrangements that require or facilitate the provision of additional information by PISCES companies.
- 3.23** We propose to apply an overarching requirement against which we will assess a PISCES operator's disclosure arrangements during the application process. This requirement is that a PISCES operator must ensure that its disclosure arrangements are appropriate for the efficient and effective functioning of its market, set out in PS 2.2.2R (see Appendix 1).
- 3.24** As long as that overarching requirement is met, we propose to give PISCES operators choice in how they meet it, recognising the potential variety of PISCES business models. This takes into account that what, if anything, is needed for the market to function efficiently and effectively may vary for different PISCES business models.

- 3.25** We propose guidance suggesting that additional arrangements put in place to, where appropriate, comply with PS 2.2.2R may include:
- PISCES operator rules that require the disclosure by a PISCES company of other information or categories of information not listed in the PISCES core disclosure information, and/or
  - PISCES operator rules that require the disclosure by a PISCES company, in general terms, of other information the board of directors of a PISCES company considers relevant for informing PISCES investors in making their decision to trade in admitted PISCES shares, as a **'sweeper-model'** requirement, and/or
  - Arrangements overseen by the PISCES operator that facilitate the provision of information by a PISCES company in response to specific requests by PISCES investors for the purposes of assisting them in deciding whether to trade in the PISCES company's admitted PISCES shares, as an **'ask-model'**, and/or
  - Any other solution that the PISCES operator considers appropriate for the efficient and effective functioning of its PISCES.
- 3.26** The **'sweeper-model'** would give a PISCES operator the flexibility to design, propose and test a sweeper model they consider to be appropriate for the effective and efficient functioning of their PISCES. This is consistent with our objectives to support innovation and of the sandbox being a tool for testing different approaches. For example, a PISCES operator could choose to apply a sweeper with a wider scope of enquiry than that proposed in our guidance.
- 3.27** The **'ask-model'** would give a PISCES operator the flexibility to design, propose and test an ask-model they consider to be appropriate for the efficient and effective functioning of their PISCES. For example, arrangements could include a Q&A function, for investors submitting information requests to PISCES companies through PISCES operators' disclosure arrangements.
- 3.28** PISCES operators should consider and explain in their sandbox application how any ask-model arrangements:
- Manage the risk of investors making excessive or unreasonable requests to PISCES companies.
  - Manage the risk of PISCES companies not responding to reasonable requests from investors.
  - Consider whether, and how, the PISCES company would communicate its refusal to answer investor requests, both to the investor making the request and/or to all other investors.
- 3.29** PISCES operators would be required to ensure that information disclosed by PISCES companies following a request for information under the ask-model is made available to all eligible investors via the PISCES operator's disclosure arrangements.
- 3.30** Some PISCES operators may prefer to combine the core disclosure list and an ask-model, which most closely replicates private market practices. Other PISCES operators may not consider the ask-model appropriate for the efficient and effective functioning of their PISCES.

- 3.31** PISCES operators would be required in their sandbox application to provide an assessment of how their overall disclosure rules and arrangements are appropriate for the efficient and effective functioning of their PISCES. This risk assessment would need to consider the types and nature of companies and investors it expects on its PISCES.
- 3.32** We propose rules clarifying that the PISCES operator's disclosure arrangements must be a comprehensive and complete set of arrangements that can enable the market to operate efficiently and effectively. This is irrespective of whether disclosure or due diligence may happen outside of them, for instance where investors receive information outside the PISCES operator's disclosure arrangements. Proposed guidance relating to these rules express our view that centralised disclosure arrangements overseen by the PISCES operator, through which disclosures can be accessed by investors equally and securely, and which are subject to the other minimum requirements set out in our proposed rules, are a central aspect of an efficient and effective functioning PISCES.

**Question 7:** Do you agree with the proposed approach to set out options for the disclosure of additional information? Y/N. Please give your reasons.

**Question 8:** Do you agree with the proposed options and related guidance for each option described above? Y/N. Please give your reasons.

## Alternative approach to disclosure

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### The alternative approach

- 3.33** In developing these proposals, we also considered the potential benefits of prescribing specific supplementary disclosure arrangements, such as a mandatory sweeper. A mandatory sweeper would be applied in addition to the core information disclosure. It would be tailored to reduce burdens on PISCES companies when identifying information, compared to those if UK MAR applied. A PISCES operator would not be required to provide an assessment of their arrangements, as they would be the arrangements which we had required them to apply. We considered whether this approach would provide greater certainty and clarity to investors, while reducing the risk of investors not getting all the information they need to make their investment decision.
- 3.34** We have decided not to propose this as our preferred option. This follows feedback that it would be difficult to design in a way that is appropriate for all types of PISCES and the kinds of companies using PISCES. This feedback suggested that a mandatory sweeper would be burdensome and unattractive for private companies.
- 3.35** However, we want to set out how this approach might work, so we can get broader feedback, including from investors, on whether respondents agree with this initial assessment.



**3.36** A mandatory sweeper could work as follows:

- Rule: As well as the core information, the PISCES operator's rules must require the PISCES company to disclose any other information known to the PISCES company which it considers relevant for PISCES investors in making their decision to trade in admitted PISCES shares.
- Rule: The PISCES operator should only require the PISCES company, in deciding what to disclose under the rule above, to consider information known by the board of directors of the PISCES company.
- Guidance: A PISCES company would comply with this requirement if it can demonstrate it had taken reasonable steps to consider whether information known to the board of directors would be relevant to investors.
- Guidance: Information disclosure could include information previously provided to investors in the private market or previously used to value its shares or determine its price parameters for PISCES trading.

**3.37** The aim of this approach would be to reduce the burden of enquiry on PISCES companies, when compared to their responsibilities under a UK MAR-based regime, while acting as an effective top-up to core disclosure information. For example, it would limit the information in scope of the requirement to that which is *known* to the board of directors, which would avoid directors having to make wider enquiries to identify and find such information.

**3.38** This alternative approach is deliberately different to how we have described the sweeper in our preferred proposal above. It reflects the need, when mandating a sweeper, to ensure it can be applied across various PISCES operator business models while also balancing the interests of companies and investors. The benefit of a sweeper model is that it could lead to more information being provided to investors, particularly those unable to carry out their own due diligence. This could make it more attractive for some investors to participate on a PISCES platform.

**3.39** This alternative approach could also provide further certainty and clarity to PISCES operators, companies and investors on the information required to be disclosed for PISCES and the arrangements for doing so. Our conclusion, based on initial feedback, is that the burdens of this approach to PISCES operators are likely to materially outweigh the benefits to investors, but we want to test that conclusion further through this consultation.

**Question 9:** Do you prefer the alternative approach of mandating a sweeper arrangement, to disclose supplementary information? Y/N. Please give your reasons.

**Question 10:** If you have answered Yes to Q9, do you agree with our proposal for the mandatory sweeper arrangement? Y/N. Please give your reasons.

## Other minimum disclosure arrangements

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### Legitimate omissions of core disclosure information

- 3.40** Our proposed rules will require PISCES operators to allow PISCES companies not to provide core disclosure information if they give a legitimate explanation as to why. PISCES operator rules would require PISCES companies to provide a summary explanation in their disclosure for any omission of core information. Our rules set out reasons for legitimate omissions. For example, this could be where a PISCES company does not have access to the information, or the disclosure would likely prejudice the legitimate interests of the PISCES company.
- 3.41** We also propose requiring PISCES operators to allow a PISCES company to not provide information that does not apply to them. For example, where a PISCES company is not applying price parameters for a trading event.
- 3.42** There is a risk that PISCES companies could misuse legitimate omission rules to not provide core disclosure information. However, we consider it is proportionate for PISCES operators to allow companies to identify and clearly explain where they cannot legitimately disclose certain core disclosure information. Ultimately, we would expect investors to take a company's decision to withhold information into account when making their investment decisions.

**Question 11: Do you agree with our proposed approach for rules on legitimate omissions of PISCES core disclosure information? Y/N. Please give your reasons.**

### Corrections and amendments

- 3.43** Where PISCES companies' disclosures contain material mistakes or inaccuracies or material new developments occur, we propose requiring PISCES operators to have rules that require PISCES companies to disclose updated or corrected information as soon as possible. The PISCES company would also be required to notify the PISCES operator of any updates as soon as possible. An example of this type of update would be the unexpected resignation of a chief executive.
- 3.44** We propose to provide guidance on our expectation that where a PISCES operator becomes aware that there are material new developments, material mistakes or inaccuracies, it considers whether a PISCES trading event should be postponed, suspended, or terminated.
- 3.45** PISCES operators should be particularly wary of the risk a PISCES company discloses new material information shortly before or during a trading event, giving investors insufficient time to analyse and understand that information. We consider it to be proportionate for PISCES operators to require PISCES companies to communicate corrections and amendments as soon as possible to protect investors and market integrity ahead of or during a trading event.

**Question 12: Do you agree with our proposed approach for correcting and amending information? Y/N. Please give your reasons**

**Disclosure availability**

- 3.46** We propose requiring PISCES operators to ensure disclosures and other regulated information are made available to all investors participating in a particular trading event at the same time, until the end of the trading event. Disclosures will not have to be made public as they would under UK MAR. All PISCES disclosures must be made available to persons entitled to access the relevant trading event through the PISCES operator's disclosure arrangements.
- 3.47** To ensure investors have enough time to consider disclosures, our proposals require operators to ensure they are disseminated sufficiently in advance of trading to permit investors to analyse and understand the information. This gives PISCES operators discretion to set specific timelines appropriate to their market
- 3.48** We believe these proposals support our objective to provide investors with equal and timely access to information provided by PISCES companies through PISCES operator disclosure arrangements.

**Question 13: Do you agree with our proposed approach on the availability and timing of disclosures? Y/N. Please give your reasons.**

**Presentation of disclosures**

- 3.49** We propose PISCES operators have rules to ensure company disclosures are made available in an easily analysable, concise and comprehensible form. This should consider the type and nature of the investors on the PISCES.
- 3.50** We consider that such a requirement is necessary to ensure that disclosures are clear and comprehensible to investors, particularly given that sophisticated, high-net worth, and employee investors are eligible to participate.

**Question 14: Do you agree with our proposed approach for the formatting of disclosures? Y/N. Please give your reasons.**

**Post-trade event disclosures**

- 3.51** We propose that PISCES operators require PISCES companies to disclose transactions by directors during the trading event and those by major shareholders after the trading event to those who were entitled to access the event. This should happen within a reasonable time after a trading event and would be the same information as required in the core disclosure information in Table 2 above.

**3.52** This recognises that PISCES companies will need enough time to identify any changes to major shareholders. We consider that post-trade event disclosures will give investors useful transparency about how directors in PISCES companies traded and whether a trading event affected who exercises control over the PISCES company.

**Question 15:** Do you agree with our proposed approach to post-trade disclosures? Y/N. Please give your reasons.

**Question 16:** Are there any other post-trade disclosures that should be required? Y/N. Please give your reasons.

### **PISCES disclosure liability regime and forward-looking statements**

**3.53** The Treasury are creating a new PISCES disclosure liability regime under Regulation 8 and Schedule 2 of the draft PISCES sandbox regulations for the PISCES sandbox to enable investors to seek appropriate recourse from PISCES companies for issues with the completeness and accuracy of disclosures.

**3.54** The regime will apply a negligence standard to the core information disclosures. PISCES companies will not have liability to compensate investors if its officers reasonably believed the core information to be true and not misleading.

**3.55** The regime will apply a higher liability standard (recklessness or dishonesty) for some forward-looking statements in the core information disclosures and other additional information provided through PISCES disclosure arrangements. The higher liability standard aims to encourage PISCES companies to provide additional information to the core disclosure.

**3.56** The regime gives us rule-making powers to specify what is a forward-looking statement for the purposes of the higher liability standard.

**3.57** Our rules would specify that forecasts of financial information and details of the PISCES company's business strategy and objectives (both covering at least the next 12 months) are forward-looking statements in the core information disclosure. Such information will need to be clearly identified in the core disclosure information.

**Question 17:** Do you agree with the information we have specified as forward-looking statements in the core disclosure information? Y/N. Please give your reasons.

## Disclosure oversight

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### Our proposal

- 3.58** While PISCES operators will be responsible for the integrity of their PISCES, they will not be required to approve PISCES companies' disclosures. However, we would expect PISCES operators to monitor PISCES companies' compliance with their disclosure rules. Similarly, we would expect PISCES operators to have arrangements for handling complaints and for taking disciplinary actions where PISCES companies breach their disclosure rules (see paragraphs 4.81-4.118).
- 3.59** We propose that PISCES operators would also be required to notify us where they know, or suspect, or have reasonable grounds for knowing or suspecting that disclosures by PISCES companies constitute misleading statements under section 89 of the Financial Services Act 2012.
- 3.60** Given the feedback to Treasury's consultation, we are providing further explanation of how we would expect PISCES operators to meet their obligations to oversee disclosures. We have also set out how we intend to interpret them when assessing applications and in our ongoing supervision. Our assessment of PISCES operator arrangements would focus on the PISCES operator's ability to respond swiftly and effectively to identified concerns about potential breaches of its disclosure rules and misconduct by PISCES companies.
- 3.61** We expect PISCES operators to take a proportionate and risk-based approach to monitoring compliance with their disclosure rules, considering the type and nature of companies and investors on their market. While we would expect PISCES operators to undertake a level of proactive oversight of disclosures, we would not expect them to approve disclosures before they are provided to investors. However, we consider it reasonable for PISCES operators to check the general completeness of disclosures at this stage. For example, that relevant information have been disclosed for each section of the core information disclosure, explanations have been provided for any information which has been legitimately omitted and that they include a basis for any price parameters.
- 3.62** We would not expect PISCES operators to review and assess the clarity, reasonableness, or accuracy of disclosures before they are disclosed, for which PISCES companies would remain responsible. Where a PISCES operator identifies a significant breach of its disclosure rules, such as a PISCES company materially failing to disclose information, shortly before or during a trading event we would expect a PISCES operator to consider whether to postpone, suspend or terminate a trading event, to maintain fair and orderly trading and to protect investors (see paragraph 4.106).
- 3.63** We would expect PISCES operators to have arrangements to investigate any complaints by investors, including about the completeness, clarity, reasonableness or accuracy of disclosures made by PISCES companies. We would expect PISCES operators to take appropriate disciplinary actions under their complaints and disciplinary rules (see paragraphs 4.81-4.118). This could include a range of escalating remedial or disciplinary tools, such as providing guidance, requiring companies to get advisory support, issuing

warnings and imposing fines. In the most serious cases, such as where a PISCES company continually breached the PISCES operator's disclosure rules by making materially incomplete and inaccurate disclosures, this could include suspending or removing the PISCES company from its market.

- 3.64** We propose including a statement in the market risk warning that PISCES companies give investors as part of their disclosures, highlighting that the disclosures are not required to be approved by the PISCES operator (see paragraphs 4.119-4.127 & 7.29-7.40).
- 3.65** As part of their sandbox application, our rules will require PISCES operators to include a risk assessment and an explanation of how their disclosure regime and arrangements, including for monitoring PISCES companies' compliance with their disclosure rules and their related complaints handling and disciplinary arrangements, are appropriate for the efficient and effective functioning of its PISCES.
- 3.66** We will not monitor PISCES company disclosures. However, we will monitor the overall functioning of the PISCES operator's disclosure rules and arrangements, as part of our monitoring of the effectiveness of the PISCES sandbox. We could also receive notifications from PISCES operators and investors of potential criminal market manipulation (see paragraphs 5.24-5.28). Where there are grounds to suspect a criminal offence has been committed involving PISCES company disclosures, we may start a criminal investigation ourselves or refer the case to other law enforcement agencies. Where appropriate, we may also use our powers under the PISCES sandbox regulations. As in paragraphs 3.53-3.57 above, investors could seek recourse through the Treasury's PISCES liability regime.

### **Rationale and risks**

- 3.67** Without PISCES operators having proportionate and risk-based monitoring arrangements, no checks would be conducted on PISCES company disclosures. This would create a significant risk that PISCES companies might not provide the information to investors required under PISCES operator rules. The consistent failure by PISCES companies to disclose information required in PISCES operator rules would harm investors and be a significant reputational risk to the PISCES sandbox arrangements.
- 3.68** As PISCES operators would not approve disclosures under our proposed approach, their monitoring arrangements could still result in PISCES company disclosures not complying with PISCES operator rules.
- 3.69** We consider our approach reflects an appropriate balance between protecting investors and applying proportionate responsibilities on PISCES operators. Our approach reflects PISCES being more of a 'buyer-beware' market intended for institutional, professional and a limited subset of retail investors. Investors could seek recourse through the PISCES operators' complaints process or by using the Treasury's proposed disclosure statutory compensation regime.

**Question 18:** Do you agree with the proposed approach for PISCES operators to monitor the compliance of PISCES company disclosures against their rules? Y/N. Please give your reasons.

## Arrangements for disseminating, accessing, and handling information

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### Introduction

- 3.70** This section sets out what arrangements PISCES operators need to have to communicate the disclosures described in paragraphs 3.14-3.21 and 3.22-3.32 above.
- 3.71** We understand that private companies currently provide disclosures using 'data rooms' (secure websites), which investors access. We envisage PISCES disclosure arrangements could work in a similar manner.
- 3.72** Our proposed rules borrow from requirements in our DTR 8 Handbook, which apply to Primary Information Providers (PIPs), for the security and availability of the disclosure of regulated information, where relevant to the effective and efficient functioning of the PISCES market.

### Objectives

- 3.73** Our proposals aim to ensure the integrity and availability of disclosures made by PISCES companies under PISCES disclosure arrangements, and the timely, effective and secure dissemination of disclosures to persons entitled to access the relevant trading event. In particular, they aim to ensure equal access to PISCES disclosures for investors participating in a trading event.

### Our proposal

- 3.74** We propose rules setting out technical requirements for how PISCES operators' disclosure arrangements will function, including:
- Arrangements to ensure the continued availability of and equal access to disclosures up to and during a PISCES trading event for those entitled to it, including business continuity arrangements.
  - Procedures to manage disruptions to disclosure arrangements' availability, including notifying users of any disruptions.
  - Secure handling of PISCES disclosures to protect the confidentiality of information being provided by PISCES companies.
  - Adequate record keeping of all the disclosures which have been made, including providing us with access to support overseeing the criminal market abuse regime.
  - Validation of the identity and authority of those making disclosures on behalf of PISCES companies.

- 3.75** PISCES operators may outsource the operation of these arrangements, subject to the general requirements that apply to an RIE or authorised person outsourcing critical functions set out in REC 2.2 for RIEs and SYSC 8 for firms. PISCES operators remain responsible for these arrangements.
- 3.76** We also propose in our rules that, where a PISCES operator employs an 'ask-model', the arrangements must also permit investors to submit information requests to a company.
- 3.77** If operators are employing an 'ask model' (as outlined above) we believe investors submitting information requests through the PISCES operator's disclosure arrangements would be preferable, and that those information requests must be recorded. Enabling investors to receive and request information in the same place would support the efficient and effective functioning of PISCES. It would also enable PISCES operators to more easily oversee the functioning of 'ask-model' arrangements such as checking whether and how PISCES companies have responded to information requests from investors.
- 3.78** However, the functionality for investors to submit information requests could potentially increase the complexity and costs of operating disclosure arrangements. We welcome views on whether the benefits outweigh potential costs. As previously explained, the operator would need to ensure that disclosures in response to investors' information requests are all made through the operator's disclosure arrangements, recorded, and made available to all investors eligible for the trading event.
- 3.79** Our requirements for PISCES disclosure arrangements are less prescriptive than the requirements for PIPs disclosing regulated information. This presents a risk that the communication of PISCES information will be less secure and robust than similar public market processes. However, we believe that our proposals provide reasonable and proportionate reassurance to PISCES companies about the confidentiality of their information and to investors on the availability of disclosures.

**Question 19:** Do you agree with the proposed approach to the technical requirements for disclosure arrangements? Y/N. Please give your reasons.

**Question 20:** Do you agree with the proposed approach that, where an ask-model is applied, PISCES operators' disclosure arrangements must enable investors to submit information requests to companies as part of those arrangements? Y/N. Please give your reasons.



## Chapter 4

# Operator requirements: organising and running trading events

- 4.1** This chapter outlines our proposals for how PISCES operators must organise and run trading events. These requirements will be key to maintaining fair and orderly markets on PISCES (refer to PS 2, PS 3, and PS 6 in Appendix 1).

## Introduction

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### The legislative context

- 4.2** The Treasury intends to give PISCES operators the ability to enable the companies on their platform to determine at least one of the following regarding their admitted shares:
- When the shares may be traded.
  - Who is allowed to buy the shares.
  - Restrictions on the trading of the shares, including restrictions requiring a minimum or maximum price.
  - The persons or categories of persons who may receive information about the company or transactions in its shares.

- 4.3** In this chapter, we outline how we intend to enable PISCES operators to implement these features.

### Policy objectives

- 4.4** Our approach has 2 overarching objectives:
- To enable PISCES operators to allow the private companies on their platforms a higher degree of control over the trading of, and disclosure of information on, their shares than is currently possible for shares admitted to trading on public markets, and
  - To require PISCES operators to effectively protect market integrity on their platforms, including by ensuring that investors are well informed of the risks of trading on PISCES platforms.

## The regulatory regime for PISCES operators

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### Our approach to MAR 5

- 4.5** Although PISCES platforms will operate as multilateral systems, they will not be trading venues as defined under MiFIR. This means that PISCES operators will not by default be subject to our regulations applying to MTFs, a type of trading venue. Instead, PISCES operators will be subject to a bespoke regulatory regime, carefully calibrated to reflect the unique nature of PISCES. These bespoke requirements will sit in a new PISCES sourcebook in our Handbook.
- 4.6** Nevertheless, there will be similarities between a PISCES platform and an equity market MTF. Both will facilitate the arranging and execution of transactions in shares on a 'multilateral system', which means any system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system.
- 4.7** Given these similarities, we propose to apply certain regulatory requirements in Chapter 5 of our Market Conduct sourcebook (MAR 5), which currently applies to firms operating MTFs, to PISCES operators. These requirements will apply to all PISCES operators. This is regardless of whether they operate a PISCES platform as an RIE or a firm with permission to arrange deals in investments, operate an MTF or operate an organised trading facility (OTF).
- 4.8** Our approach to MAR 5 intends to ensure the key tenets of the regulatory framework for MTFs – that support our 3 primary operational objectives to protect consumers, protect financial markets and promote competition – will remain in place for PISCES. Beyond these core provisions, we propose to modify MAR 5 to reflect that PISCES is intended to be a 'private-plus' market.

### Our approach to REC

- 4.9** In addition to our modified application of MAR 5, RIEs that operate a PISCES platform will also be subject to the RRRs (which are set by the Treasury), as well as any accompanying rules and guidance in the Recognised Investment Exchanges sourcebook (REC) of our Handbook.
- 4.10** We propose to modify REC only where this is necessary as a consequential change resulting from changes made by the Treasury to the RRRs or the fact that UK MAR will not directly apply to shares admitted to trading on a PISCES platform.

### Our overall approach

- 4.11** We expect that our modified application of the MAR 5 and REC sourcebooks will account for a very significant proportion of the PISCES Sourcebook that applies to PISCES operators. We discuss our proposed application of MAR 5, MAR 5AA and REC in detail in Chapter 8 below.

**4.12** However, PISCES is a unique type of market which requires a bespoke regulatory framework. PISCES operators will be able to offer PISCES companies functionalities not covered by the current MAR 5 or REC sourcebooks. Therefore, some of our requirements for PISCES operators will not be modified requirements from MAR 5 or REC. Instead, there will be stand-alone rules and guidance that will sit in PS 3 (see Appendix 1). The vast majority of these will apply to both firms and RIEs operating a PISCES platform.

## Price parameters

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### Policy objectives

- 4.13** The draft PISCES sandbox regulations intend to enable operators to allow the companies on their platforms to set floor or ceiling prices for their PISCES shares, known as 'price parameters'.
- 4.14** The fact that the Treasury has enabled price parameters to be set by companies whose shares are traded on PISCES reflects the significant differences between the price formation processes on public and private markets. On public markets, price parameters are not used, and price formation is typically achieved through the interaction of buying and selling interests on a trading venue, either via continuous trading or an auction. This results in a publicly available market price – the basis of almost all public company valuations.
- 4.15** In contrast, private companies and their investors often want to retain a higher degree of control over their company valuations. This is because these valuations are key to a private company's cost of capital raising and the value at which their investors can hold their shares. This greater control over the price at which shares are exchanged is seen as an essential feature of private markets. We understand this control needs to be maintained for PISCES platforms to be able to serve private markets and their investors effectively.
- 4.16** PISCES operators will facilitate buying and selling interests in PISCES shares to interact with each other on an intermittent basis. PISCES operators or companies may therefore choose to leave it completely open to market forces to determine the market price for PISCES shares.
- 4.17** However, as above, the draft PISCES sandbox regulations also intend to enable PISCES operators to give PISCES companies the choice to set price parameters. Current regulations applying to trading venues do not allow companies to do so. This would be a unique feature of PISCES.
- 4.18** The section below outlines the requirements we propose to apply to PISCES operators that allow companies to set price parameters on their platform. Our proposed approach balances 2 objectives:
- Enable PISCES operators to establish an ability to set price parameters that gives PISCES companies significant discretion over the methodology used to value their companies and control over the price at which their shares are exchanged, without imposing undue operational burdens on PISCES operators or companies; and

- Require PISCES operators to effectively mitigate the risk arising from any conflicts of interest related to the use of price parameters, notably PISCES companies using price parameters to exert upward pressure on their share prices.

## Our proposal

- 4.19** Chapter 3 above outlines our proposed PISCES disclosure arrangements. A pillar of this regime is that PISCES operators must require every PISCES company to disclose core disclosure information to investors in a timely manner – see PS 2.3 (Appendix 1).
- 4.20** We propose that this core information disclosure must include the details of any price parameters set for a PISCES trading event. This is to ensure that participants, members and investors have access to sufficient information to understand how the valuation of a PISCES company was arrived at. At a minimum, this core information disclosure must include:
- Any floor and ceiling prices.
  - The basis on which the price parameters were determined.
  - The reasons for any changes to the price parameters applied in any previous PISCES trading event.
  - Whether the valuation of the shares and the price parameters were prepared by the PISCES company or by an independent third party.
  - The identity of any such independent third party.
- 4.21** Paragraphs 3.58 to 3.66 outline our proposed approach to PISCES operators' oversight of disclosures. In summary, we would expect that PISCES operators would have arrangements in place to monitor that PISCES companies' disclosures – including those regarding any use of price parameters – comply with their disclosure rules. We would expect this monitoring to be proportionate and risk based.
- 4.22** We do not propose any specific requirements on how PISCES operators should monitor the use of price parameters. We will not require PISCES operators to verify that the methodologies used to derive any price parameters are fair or reasonable. Once a PISCES company has disclosed how they have valued their shares in line with an operator's rules, PISCES investors will be responsible for deciding if they consider that the company's price parameters fit their risk appetite before participating in the relevant trading event.
- 4.23** Under our proposed approach, PISCES operators must nevertheless ensure that their arrangements regarding the use of price parameters meet their obligations under our modified version of MAR 5 and, for RIEs, the RRRs (which are set by the Treasury) and our accompanying REC rules and guidance. Relevant requirements include that PISCES operators must have transparent rules and procedures for fair and orderly trading and monitor their users' compliance with their rules. Chapter 8 gives further details on our modified application of MAR 5 and REC for PISCES.

## Rationale and risks

- 4.24** Our proposed approach does not impose any extra monitoring requirements for PISCES operators that allow PISCES companies to set price parameters. They would still have a general obligation to appropriately monitor companies' disclosures and PISCES users' (including PISCES companies') overall compliance with their rules. We consider this approach meets our aim of minimising operational burdens on both operators and companies.
- 4.25** We also think our proposed approach meets our objective of requiring PISCES operators to effectively mitigate the risk arising from any conflicts of interest related to the use of price parameters. The required PISCES company disclosures on price parameters will enable investors to make an informed judgement on whether they agree with a company's valuation. This should discourage companies from using excessively high valuations.
- 4.26** As we expect operators' checks on companies' disclosures to be proportionate and risk based, there is a risk that investors may receive some disclosures that do not enable them to reach a fully informed judgement on a company's use of price parameters.
- 4.27** Moreover, PISCES operators will not be required to approve the methodologies used to calculate any price parameters, so there is a risk that PISCES companies set price parameters that are based on valuations that their investors do not agree with. Under our proposed approach, if a PISCES company disclosed how they value their shares in line with PISCES operator's rules, they will have met their obligations to investors. If investors perceive price parameters as unreasonable, they should exercise caution about dealing in the relevant shares.
- 4.28** We consider it reasonable to expect PISCES investors to make an informed decision about whether to accept this risk. We will clearly explain our approach to price parameters as part of our PISCES Market Risk Warning outlined in paragraph 4.124.

**Question 21: Do you agree with the proposed approach to price parameters? Y/N. Please give your reasons.**

## Permissioned trading events

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### Policy objectives

- 4.29** The draft PISCES sandbox regulations intend to enable operators to allow the companies on their platforms to set restrictions on who can buy their shares. Trading events with such restrictions are known as 'permissioned trading events'.
- 4.30** The fact that the Treasury intends to enable PISCES operators to allow permissioned trading events reflects the fact there are also significant differences between public and private companies' levels of control over their ownership structures and how their shares are traded or exchanged.

- 4.31** On public markets, shares must be capable of being freely transferred between investors. Conversely, private companies tend to have significant control over their ownership structure. They can exercise this control using various methods. These include imposing restrictions on the transfer of shares in their articles of association, entering into lock-up agreements with new investors or specifying a vesting period in their employee share and option schemes, during which employees cannot exercise any of the rights attached to their holdings.
- 4.32** Based on our market engagement, we expect that PISCES companies will want to retain a significantly higher degree of control over who can hold their shares than is currently possible on public markets. For instance, companies may want to prevent competitors from buying their shares, ensure that any new investors have a suitable investment timeframe or limit the buying of their shares on PISCES to their existing employees or shareholders. Our proposed requirements intend to enable PISCES companies to impose such restrictions, if there are appropriate guardrails in place for investors.
- 4.33** The draft PISCES sandbox regulations indicate that the Treasury does not intend to prescribe whether operators may permit the companies on their platform to set restrictions on who can sell their shares. In designing our proposed requirements, we considered whether PISCES operators should be able to permit such restrictions.
- 4.34** When considering this, we were aware of the risk that permitting such restrictions could limit some of the key benefits of PISCES. Particularly, to concentrate liquidity in private company shares (via PISCES trading events) for investors and to give employees, who already hold shares in private companies, an opportunity to cash out their shares before a liquidity event. For all existing private company shareholders, the ability to sell their shares on PISCES may provide a valuable exit route to help them meet their financial objectives.
- 4.35** Overall, our proposed approach to permissioned trading events aims to:
- Enable PISCES operators to allow private companies to hold permissioned trading events that suit a wide variety of potential use cases.
  - Require PISCES operators to effectively mitigate the risk that restrictions for permissioned trading events are misused to unfairly exclude certain PISCES investors, members or participants without a legitimate reason.
  - Ensure that permissioned trading events do not unnecessarily prevent existing private company shareholders from benefitting from the liquidity available during PISCES trading events.

## **Our proposal**

- 4.36** Our proposed approach has 4 key aspects. Firstly, we propose that a PISCES operator may only permit a PISCES company to restrict access to a trading event if it serves the purpose of promoting or protecting legitimate commercial interests of the company.
- 4.37** We do not intend to specify what a legitimate commercial interest would be in our rules or guidance. The broad intention of our proposed rule is to ensure that a company cannot specify unreasonable and arbitrary criteria to restrict investors from accessing

a trading event. It will be for the company to decide if a particular criterion satisfies this test and for the operator to use its judgement in monitoring that the company is complying with its rules.

- 4.38** We consider that examples of legitimate criteria for restricting access to permissioned trading events may include:
- Not allowing competitors to participate in a trading event.
  - Restricting trade execution sizes.
  - Ensuring investors in a particular jurisdiction cannot buy shares (for instance, jurisdictions that impose significant restrictions on investors).
  - Identifying a list of investors who can participate in a trading event (for example, particular types of investors, company employees or existing shareholders). Depending on the criterion, this may be a list of types of investors or of specific individuals.
- 4.39** When a PISCES company decides to restrict certain investors from participating in a trading event, we would expect it to follow a proper procedure in deciding the restrictions that would promote or protect their legitimate commercial interests. We would not expect this procedure to be influenced by any prejudice against groups or individuals, including based on any protected characteristics under the Equality Act 2010.
- 4.40** Secondly, we propose that a PISCES operator may not permit a company to impose any *new* restrictions on an existing investor selling their shares for the purposes of a PISCES trading event. The only situation where a company may restrict the sale of their shares on PISCES would be when the investor is an employee of the PISCES company and already subject to contractual obligations which limit their ability to sell the company's shares.
- 4.41** Thirdly, we propose that PISCES operators may only permit PISCES companies to restrict the access of PISCES members or participants – who we expect to be PISCES intermediaries or other institutional investors – to trading events according to published, transparent and non-discriminatory rules which are based on objective criteria, as defined in our modified version of MAR 5.3.1R(4), see PS 6.12 in Appendix 1.
- 4.42** As a result, we expect that all investment firms, credit institutions and other persons who meet the required professional standards to become a member or direct participant of a PISCES platform should be able to place orders on behalf of any of their clients who are eligible to participate in a permissioned trading event. This approach is in line with our current requirements governing access to trading venues for members and participants.
- 4.43** Finally, we propose that a PISCES operator must ensure that, when a PISCES company holds permissioned trading events, they put in place arrangements to ensure that all PISCES investors who request access to the trading event are informed of the nature of the restrictions on investor access in a timely manner. This would apply whether or not these investors are permitted to participate in the particular trading event.



**4.44** We do not intend to prescribe exactly how PISCES operators should monitor the operation of permissioned trading events. As outlined in paragraph 2.13, we recognise that PISCES operators are best placed to provide appropriate frontline oversight of their platforms. Given the 'private-plus' nature of PISCES, we expect that monitoring will be proportionate and risk based, ie focused on serious or repeated breaches of the operator's rules. Nevertheless, similar to our expectations at paragraph 4.23 above, under our proposed approach PISCES operators must ensure their arrangements regarding the use of permissioned trading events fulfil their obligations under our modified version of MAR 5 and, for RIEs, the RRRs (which are set by the Treasury) and our accompanying REC rules and guidance. See Chapter 8 for further detail.

### Rationale and risks

**4.45** We consider our proposed approach appropriately balances all 3 of our objectives for permissioned trading events. PISCES operators will be able to allow companies to retain broad scope in determining an ownership structure that works for them. Existing PISCES company shareholders – who are already part of the company's ownership structure – will not face any new restrictions on selling their shares during PISCES trading events and so benefitting from these new pools of concentrated liquidity.

**4.46** The scope for PISCES companies to restrict the access of PISCES members or participants – who we expect to be PISCES intermediaries or other institutional investors – to their trading events would be very limited. As above, this reflects a fundamental principle, which currently applies to all trading venues (both via our rules and the RRRs, which are set by the Treasury), that members' and participants' access to an operator's facilities must be governed by published, transparent and non-discriminatory rules, based on objective criteria.

**4.47** We expect the limited scope for restrictions on PISCES members' or participants' access to trading events to help mitigate the risk of conflicts of interest between PISCES companies, intermediaries and investors affecting permissioned trading events. For instance, if broader restrictions on PISCES members or participants were permitted, PISCES companies may be incentivised to restrict access to a trading event to intermediaries who provided more marketing for their shares. We would consider this kind of restriction to be inappropriate as it may not be in PISCES investors' best interests.

**4.48** As we expect PISCES operators' monitoring of permissioned trading events to be proportionate and risk based, there is a risk that some permissioned trading events take place when a company's criteria for restricting participation is not in line with the relevant PISCES operator's rules.

**4.49** We have partially mitigated this risk by requiring the PISCES operator to ensure all PISCES investors that request access a trading event on their platform are informed by the relevant PISCES company of the access restrictions in place (regardless of whether their personal access is restricted). This will allow investors to report to the operator when they consider that a PISCES company has breached its rules on permissioned trading events. The operator will then be expected to take appropriate action to address this – ranging from providing advice to the PISCES company on their rules to taking



disciplinary action. See paragraphs 4.81 to 4.118 for our proposed requirements on PISCES operators' complaints procedures and disciplinary arrangements.

**4.50** Therefore, we consider that a PISCES operator's procedures should effectively guard against breaches of their rules on permissioned trading events that would seriously harm PISCES investors' interests. Nevertheless, given the risk based monitoring arrangements we expect PISCES operators to implement, there will be a higher risk of operators' rules being breached on PISCES platforms than on public markets. As PISCES is more of a 'buyer beware' market intended for institutional, professional, and a limited subset of retail investors, we understand that this is a risk which prospective PISCES investors are likely to be willing to accept.

**Question 22: Do you agree with the proposed approach to PISCES permissioned trading events? Y/N. Please give your reasons.**

## Public trading event notifications

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### Policy objectives

**4.51** For all types of PISCES trading events, we propose to require the operator to make appropriate public notifications to:

- Make prospective PISCES members, participants and investors aware that a trading event is taking place.
- Give prospective PISCES members, participants and investors the minimum necessary information to decide whether to undergo the relevant eligibility checks to participate on a PISCES platform.

**4.52** However, we know that many private companies will want, to the greatest extent possible, to limit access to their commercially sensitive information. As PISCES will be a 'private-plus' market, we want our requirements to allow PISCES operators to enable the companies on their platform to fulfil this aim, as much as is feasible.

**4.53** Our proposed approach to trading event notifications, outlined below, seeks to achieve all 3 of these objectives.

### Our proposal

**4.54** We propose that, in a timely manner before any PISCES trading event, the PISCES operator must ensure that the following information is made available publicly:

- The timing and length of the upcoming PISCES trading event.
- The date from when and the length of time that the relevant PISCES disclosure information will be available.
- The relevant shares available for trading in the PISCES trading event.

- Any restrictions imposed by the PISCES operator on the members, participants or investors that may participate on their platform (e.g., if access to their PISCES platform is limited to institutional investors only).
- Whether or not the PISCES trading event is permissioned (a binary choice of 'yes' or 'no').

**4.55** As above, we propose to only require information on the specific restrictions on participation in a specific permissioned trading event to be made available to PISCES investors *already* confirmed eligible to participate on a PISCES platform that request access to that trading event.

### Rationale and risks

**4.56** We consider that the above required information meets our objective to give prospective PISCES members, participants and investors the minimum information they need to make an informed decision on whether to undergo eligibility checks to access a PISCES platform. Nevertheless, we also considered whether we should require operators to make publicly available any restrictions on access to specific PISCES trading events. This would make it clear to those considering undergoing eligibility checks for a PISCES platform whether they will be able to trade a specific PISCES company's share before they start that process.

**4.57** However, we understand that the criteria for restricting participation to a trading event may be commercially sensitive information for PISCES companies. For example, if a company wants to stop specific competitors from participating. Therefore, we did not think it would proportionate for us to require all restrictions on access to permissioned PISCES trading events to be made public. Our requirement for PISCES operators to publish whether a trading event is permissioned is intended to warn those hoping to trade a PISCES company's shares that, even if they are confirmed eligible to participate on the relevant PISCES platform, there is no guarantee they will be able to do so.

**4.58** Additionally, if feasible, we encourage PISCES operators and companies to consider making publicly available a high-level description of the type of restriction on participation they will apply to their trading event. For instance, a PISCES company could publicly indicate that they are limiting participation to institutional investors only. While this would not be a requirement, we consider this transparency could help PISCES platforms to operate as efficiently as possible.

**Question 23: Do you agree with the proposed approach to public trading event notifications? Y/N. Please give your reasons.**

## Pre and post trade transparency data

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### Policy objectives

- 4.59** Although PISCES platforms will operate as multilateral systems, they will not be trading venues as defined under UK MiFIR. So, the transparency requirements for shares traded on a trading venue will not apply by default to PISCES operators.
- 4.60** The Treasury intends to delegate responsibility for transparency requirements for PISCES to us. In designing our proposed approach, we have considered the key differences between public and private markets regarding transparency.
- 4.61** For public markets, shares are generally subject to the transparency requirements set out in UK MiFIR. Currently, the pre-trade MiFIR transparency framework requires operators of trading venues to make public the current bid and offer prices for shares, and the depth of trading interests at those prices, which are advertised through their systems.
- 4.62** The current MiFIR post-trade transparency framework requires operators of trading venues to make public the price, volume and time of transactions in shares executed on their systems as close to real-time as technically possible (subject to any waivers that may apply).
- 4.63** In contrast, most private company shares are traded directly between a buyer and seller (ie traded bilaterally) and so are not subject to these MiFIR transparency requirements. This means there is substantially less visibility over most private market transactions than those in the public market, and private companies generally have significant control over access to this potentially commercially sensitive data.
- 4.64** However, on PISCES platforms, trading will be between multiple different buyers and sellers (ie multilateral). So pre- and post-trade transparency data will be necessary for those participating on PISCES platforms to make reasonable judgements about the price and volume at which they want to trade PISCES shares.
- 4.65** We therefore consider that PISCES operators will need to implement rules regarding the provision of pre- and post-trade transparency data to help ensure fair and orderly markets, a key part of their requirements under our modified version of MAR 5 and, for RIEs, the RRRs (which are set by the Treasury) and REC. See Chapter 8 for more detail on this.
- 4.66** Given this, our proposed PISCES pre- and post-trade transparency data requirements aim to:
- Require PISCES operators to provide all participants, members and investors entitled to trade in a particular trading event with adequate pre- and post-trade transparency data to enable fair and orderly trading.
  - Calibrate our requirements so that they are proportionate for the private market.
  - Ensure that our requirements on PISCES operators are flexible for different business models and do not impose unnecessary operational burdens.

## Our proposal

### *Required transparency data*

- 4.67** We propose to require PISCES operators to make the following data freely available to all PISCES members, participants and investors entitled to trade in the relevant trading event. During the trading event, this information must be made available on a continuous basis:
- The current bid and offer prices, and the depth of trading interests at those prices, which are advertised through their systems.
  - The instrument identification, price, volume and time of the transactions executed on the PISCES platform, as close to real-time as is technically possible.
- 4.68** This information must be appropriately calibrated for different types of PISCES trading systems. For example, we would expect PISCES operators using a periodic auction trading system to disseminate the uncrossing price that would best satisfy the auction's trading algorithm and the volume of trades that would be potentially executable at that price.
- 4.69** Irrespective of the type of trading system used, we will work closely with all prospective PISCES operators at the gateway to the PISCES sandbox to ensure that their transparency obligations are effectively and proportionately met.
- 4.70** In terms of historic transparency data, all PISCES companies will be required to disclose, to all eligible participants in their trading event, the last traded price and volume traded at any previous relevant PISCES trading event as part of their core information disclosures, see PS 2.3.2R(18) in Appendix 1.
- 4.71** More generally, we will require operators to ensure that all members, participants and investors entitled to trade in a PISCES trading event have access to adequate information regarding the execution of transactions during previous relevant PISCES trading events to support the efficient functioning of the PISCES price discovery process. We expect the nature of this information to vary based on the trading system a PISCES operator uses.

### *Dissemination and record-keeping of transparency information*

- 4.72** We do not intend to require a specific method by which PISCES operators must disseminate transparency data. In particular, while operators may choose to disseminate transparency data via their disclosure arrangements – for which our proposed requirements are outlined in paragraphs 3.74 to 3.79 – we will not require them to do so.
- 4.73** However, any arrangements that operators use must be robust. We therefore propose to apply the following high-level requirements to the dissemination of PISCES transparency data:
- If circumstances arise that prevent the reception, dissemination and availability of PISCES transparency data during a PISCES trading event, the operator must

ensure there are adequate arrangements in place to ensure that disruption can be minimised. This will include maintaining business continuity arrangements.

- The operator must ensure that the systems and facilities it uses are appropriate and robust enough to ensure continuity and regularity in the provision of PISCES transparency data.
- The operator must ensure arrangements are in place to promptly inform persons entitled to access PISCES transparency data of any service interruptions or connection disruptions, and the time estimated to resume a regular service.
- The operator must have a secure means of communicating PISCES transparency data to persons entitled to access the PISCES trading event, and measures exist to prevent any significant risk of corruption of the data during its dissemination.

**4.74** All relevant systems and controls requirements in our modified version of MAR 5 will also apply to all PISCES operator's dissemination arrangements, with relevant requirements in the RRRs (which are set by the Treasury) and REC also applying to RIEs operating a PISCES platform. See Chapter 8 for further details.

**4.75** Finally, our proposed record-keeping requirements for PISCES transparency data are:

- The operator must ensure that records of the PISCES transparency data they have disseminated (including the date and time it was disseminated) are maintained.
- These records must be maintained for 5 years in a form that the PISCES operator can easily access.

## Rationale and risks

**4.76** We consider that our proposed approach of requiring PISCES operators to make available transparency data in line with existing MiFIR requirements, but only to those eligible to participate in a specific PISCES trading event, effectively meets our objectives. All participants in the PISCES trading event will have the information they need to trade in a fair and orderly manner, without PISCES companies needing to publicly disclose commercially sensitive data. This means that, if PISCES companies hold permissioned trading events, those that they restrict from participating in their trading event (eg their competitors) will also not have access to their transparency data.

**4.77** We also think that our proposed approach provides flexibility to PISCES operators and avoids unnecessary operational burdens. Our high-level requirements on PISCES operator's arrangements for disseminating transparency data are in line with our requirements for these operators' disclosure arrangements and overarching systems and controls requirements in MAR 5 and, for RIEs, the RRRs (which are set by the Treasury) and REC. This streamlines the regulatory requirements on PISCES operators if they choose to use the same dissemination arrangements for company disclosures and transparency data (although, as above, this will not be required).

**4.78** Similarly, our record-keeping requirements regarding the dissemination of PISCES transparency data will help operators meet our expectation that they investigate any complaints made about the operator's performance of, or failure to perform, its functions objectively, promptly and thoroughly – see paragraphs 4.91 to 4.93.

- 4.79** In designing our proposed approach, we considered the risk that limited dissemination of PISCES transparency data may lead those who had previously participated in relevant PISCES trading events to have access to more historic transparency data compared to those who had not. This may give certain PISCES members, participants and investors a competitive advantage over others.
- 4.80** In line with our objective to promote effective competition in the interests of consumers, we propose to mitigate this risk by requiring the disclosure of certain historic PISCES transparency data to all persons entitled to trade in the relevant trading event.

**Question 24: Do you agree with the proposed approach to PISCES pre- and post-trade transparency data – including the required data and the dissemination and record-keeping of transparency data? Y/N. Please give your reasons.**

## Complaints procedures and disciplinary arrangements

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### Policy objectives

- 4.81** We intend to set requirements that specify the complaints procedures that all PISCES operators must put in place. We also propose to specify certain kinds of disciplinary action which, at a minimum, PISCES operators must be able to take against users of their market, including PISCES companies. This is because we see these as crucial powers for a PISCES operator that we wish to highlight to both PISCES operators and their users.
- 4.82** The disciplinary powers that we explicitly require all PISCES operators to have should not be read as an exhaustive list of the tools which we expect any individual PISCES operator to find useful when running its market. PISCES operators should use their own judgement to identify other useful disciplinary tools.
- 4.83** Our requirements for PISCES operators' complaints procedures and disciplinary arrangements aim to:
- Reflect operators' key role in protecting market integrity on PISCES platforms, while recognising that PISCES investors also need to be willing to take responsibility for their decisions.
  - Support operators to, where necessary, take decisive disciplinary action to protect their platforms' market integrity and investors' interests.

### Our proposal – complaints procedures

- 4.84** The first 2 sections below – paragraphs 4.87 to 4.91 – outline our proposed requirements that would only apply to firms operating a PISCES platform.

**4.85** For RIEs operating a PISCES platform, the RRRs (which are set by the Treasury) set specific legislative requirements for their disciplinary arrangements and arrangements to investigate and resolve complaints regarding their performance of their regulatory functions. The third section below – paragraphs 4.92 to 4.95 – provides additional clarification on our proposed approach for RIEs specifically.

**4.86** Paragraphs 4.96 to 4.97 outline our proposed overarching expectations for all PISCES operators (whether firms or RIEs).

### ***Approach to firms operating a PISCES platform – procedures for complaints about PISCES users***

**4.87** For complaints about PISCES users, we propose to set a rule requiring firms operating a PISCES platform to have procedures in place for:

- Investigating complaints made to the operator about the conduct of persons in the course of using the facilities of the PISCES.
- The fair, independent and impartial resolution of appeals against the decisions of the PISCES operator.

**4.88** We intend to set guidance outlining that a firm's procedures for investigating complaints about users of its platform should:

- Enable the PISCES operator to:
  - Acknowledge complaints promptly.
  - Take reasonable steps to consider and investigate these complaints objectively, promptly and thoroughly.
  - Provide a timely reply to the complainant.
  - Keep adequate records of complaints and investigations.
- Enable a person who is the subject of a complaint to respond in an appropriate manner to that complaint.
- Be documented and brought to the attention of persons who might wish to make a complaint.

**4.89** We also intend to set guidance outlining that we may have regard to the following factors when assessing a firm's appeals procedures:

- The arrangements made to ensure prompt hearing of appeals from decisions made by the PISCES operator.
- The format, organisation and rules of procedure of those hearings.

### ***Approach to firms operating a PISCES platform – procedures for complaints about PISCES operators***

**4.90** We also propose to set a rule requiring firms operating PISCES platforms to have effective arrangements for the investigation and resolution of complaints connected

to how they perform, or fail to perform, their functions as PISCES operators. This rule would not cover complaints about the content of operators' rulebooks or decisions regarding PISCES users for which there is a right of appeal.

**4.91** We intend to set guidance outlining that these arrangements should enable the PISCES operator to:

- Acknowledge complaints promptly.
- Make an objective, prompt and thorough investigation of complaints.
- Provide a timely reply to the complainant after that investigation.
- Keep adequate records of complaints and investigations.

### ***Approach to RIEs operating a PISCES platform***

**4.92** As noted at paragraph 4.85, to meet their current obligations under Paragraphs 8 and 9 of Schedule 1 to the RRRs, RIEs must meet specific legislative requirements on their disciplinary arrangements and arrangements to investigate and resolve complaints regarding their performance of their regulatory functions.

**4.93** We understand that the Treasury plan to retain these requirements for RIEs operating a PISCES platform. As a result, we plan to retain our accompanying guidance in REC 2.15 and REC 2.16 with very limited modifications. Chapter 8 gives more detail on our application of REC to PISCES.

**4.94** Where appropriate, we have drafted our above proposed rules and guidance for the required complaints procedures for firms that operate PISCES platforms to align with the requirements and guidance in the RRRs and REC. This will help to ensure as much consistency as is feasible in the regulatory requirements applicable to all PISCES operators.

**4.95** However, we do not intend to replicate all the requirements in the RRRs that apply to RIE's complaints procedures for PISCES operators that are firms. This is because the RRRs reflect the fact that RIEs are regulatory bodies with a particular balance of legal rights and responsibilities. So certain requirements in the RRRs are not suitable for firms with different legal status.

### ***Overall expectations***

**4.96** Under our proposed approach, we expect all PISCES operators (whether firms or RIEs) to investigate and take appropriate action to address complaints under their contractual arrangements with PISCES companies, members, participants and other users. We expect these contractual arrangements to enable a PISCES operator to make enquiries about the actions of any users of their platform. Paragraphs 4.104 to 4.111 outline our proposal on the minimum disciplinary action an operator's contractual arrangements must enable.

**4.97** We intend to supplement the above specific requirements for PISCES operators' complaints procedures with our overarching requirement that all operators must have effective arrangements and procedures for regularly monitoring their users' compliance with their rules, as per our modified version of MAR 5.5.1R(1). Chapter 8 gives more detail on this.



## Rationale and risks – complaints procedures

- 4.98** We consider that our proposed approach meets our objectives as it provides clear direction to all types of PISCES operators on how to implement robust complaints procedures, reflecting their key role in protecting market integrity on PISCES platforms. Robust complaints procedures will help operators carry out effectively targeted ex post monitoring of PISCES companies' and other users' compliance with their rules. This will help operators demonstrate to us that they can meet their MAR 5 obligations to monitor their users' compliance with their rules, and assess their own performance of their functions, in a proportionate, risk-based way.
- 4.99** Without a robust complaints process, PISCES operators would likely have to conduct a higher level of proactive checks on their users' compliance with their rules and their own performance of their functions to meet their obligations under MAR 5 (and, for RIEs, the RRRs and REC). We think this would be more onerous for operators and their users. It would also not be in line with our overarching expectations on PISCES operators' role in monitoring their market, outlined in paragraphs 2.12 to 2.17.
- 4.100** One risk of our proposed approach is that PISCES users may not identify issues which should be flagged via PISCES operators' complaints procedures or may choose not to report them. However, we propose an overarching obligation for PISCES operators to have effective arrangements and procedures for regularly monitoring their users' compliance with their rules. PISCES operators will have to demonstrate to us via both their PISCES sandbox application and ongoing supervisory engagement that their monitoring arrangements (including their complaints procedures) are operating effectively.
- 4.101** Another risk is that PISCES operators may not be able to fully investigate, and so appropriately address, complaints made to them about PISCES users. An operator's investigative and disciplinary powers will be bound by its contractual arrangements with PISCES users. For any non-criminal cases, by default we will not be involved in a PISCES operator's investigations.
- 4.102** Yet we consider that PISCES operators should be able to use their contractual arrangements to effectively govern this type of 'private-plus' market in most cases, while recognising that they will not have statutory investigative or information gathering powers. Our rules and guidance on the complaint procedures and minimum disciplinary powers they should have in place will help them to do so.
- 4.103** We will highlight the limitations on a PISCES operator's investigative powers in our PISCES Market Risk Warning to help potential investors decide if trading on PISCES would fit their risk tolerance, see paragraph 4.124.

**Question 25: Do you agree with the proposed approach to PISCES operators' complaints procedures? Y/N. Please give your reasons.**

## Our proposal – disciplinary arrangements

- 4.104** Our proposed rules recognise that a PISCES operator will play a crucial role as the front-line supervisor of its platform. They will be responsible for taking appropriate disciplinary action against PISCES companies, members and participants when their rulebook is breached. They will also be responsible for ensuring they perform their functions as a PISCES operator effectively. We recognise that fulfilling these responsibilities may necessitate PISCES operators taking decisive action, and our proposed approach aims to support this.
- 4.105** We do not think that an operator should have to grant any private company access to its platform if the company does not comply with its rules. We propose that an operator's rules must enable it to refuse or cancel admission of a PISCES company's shares to its platform if it has serious grounds to conclude that a PISCES company is not, or is no longer, willing or able to comply with its rules.
- 4.106** We also propose that a PISCES operator must be able, under its rules, to:
- Postpone or suspend trading when it has reason to believe that there has been, or is likely to be, a significant breach of its rules or its own obligations in relation to operating a PISCES platform.
  - Terminate a PISCES trading event where it appears that the above breach, or likely breach, is sufficiently serious to be likely to cause significant damage to the interests of investors or the orderly function of the PISCES.
  - Make public any decision to postpone, suspend or terminate and notify us of it.
- 4.107** By applying these proposed requirements to PISCES operators, we intend to signal that we support an operator using a variety of tools to protect its platform's market integrity and investors – including operating a robust gateway to its platform and, when presented with evidence of serious or persistent rule breaches, making appropriate interventions.
- 4.108** We see the interventions outlined above as crucial powers that a PISCES operator would need to address circumstances when they become aware of serious concerns about the functioning of their market. However, we would expect operators to also have a range of other tools at their disposal, enabling a proportionate response to the facts of a given case. This could include the ability to issue warnings, impose fines and require PISCES companies to obtain advisory support, to provide professional assistance with the preparation of future disclosures.
- 4.109** When taking disciplinary action, we propose that operators must ensure they fulfil their relevant obligations under our modified version of MAR 5, including:
- To have transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems.
  - Not to exercise any power under its rules to suspend or remove from trading any financial instrument in respect of which there has been a breach of its rules, where such a step would be likely to cause significant damage to the interest of investors or orderly functioning of the PISCES.

**4.110** RIEs operating a PISCES platform would also need to fulfil any relevant obligations under the RRRs (which are set by the Treasury) and our accompanying REC rules and guidance, which we propose to apply with limited modifications. Chapter 8 gives more detail on our proposed application of MAR 5 and REC for PISCES.

**4.111** It would be for PISCES operators to determine the most appropriate balance between their various obligations when taking disciplinary action. It is likely the most appropriate course of action will differ on a case-by-case basis.

### **Rationale and risks – disciplinary arrangements**

**4.112** In our view, our proposed approach sets clear expectations for PISCES operators and users on the key disciplinary action that operators may need to take to handle serious concerns regarding the trading of PISCES shares. This will help operators to play their central role in protecting the market integrity of their platforms.

**4.113** We recognise that, in practice, operators may face challenges in supervising a PISCES platform. There may be times when they have to act quickly, for instance, to suspend a trading event in light of evidence provided to them (possibly at short notice) that a company's disclosure is unreliable. They may, in the absence of statutory powers, struggle to fully investigate a complaint where a PISCES company refuses to cooperate with their information requests. When an investigation yields tangible evidence that a company's conduct on its platform poses a risk to fair and orderly trading, an operator may face the difficult task of weighing that risk against the potential damage to investors that may be caused by the suspension of a trading event, or, in extreme cases, even the withdrawal of a company from its PISCES platform.

**4.114** Our view is that operators should be able to develop decision-making frameworks that enable them to make appropriate interventions. These will need to allow the operator to balance the potential harm to its platform resulting from PISCES companies' conduct, with the potential harm to investors resulting from interventions to address these concerns. We also note that it will be necessary for a PISCES operator to apply an appropriate evidential threshold to any intervention action.

**4.115** Prospective PISCES investors need to recognise that a PISCES operator may need to take action that affects its investors' access to trading events, to protect the market integrity of the PISCES platform. If an operator cancels a PISCES company's admission, or postpones, suspends or terminates a PISCES trading event, there is a risk that this will make it significantly more difficult for investors that hold PISCES shares to sell them on.

**4.116** We are clear that future liquidity in the shares traded on PISCES will never be guaranteed. The reasons for this include not only the operator interventions described above, but also:

- Companies that previously held PISCES trading events may decide to stop doing so,
- Individual PISCES operators may decide to close their platforms, and their companies may not be admitted to other PISCES platforms, and

- Parliamentary approval is needed to make PISCES a permanent feature of the regulatory regime beyond the sandbox period.

**4.117** We intend to highlight this risk to investors both in the risk warning which intermediaries will provide to retail investors, and our more detailed PISCES Market Risk Warning, which will be applied to all company disclosure information disseminated on PISCES platforms. See paragraph 4.124 for more details.

**4.118** In developing our proposals, we also considered whether our PISCES Sourcebook should provide guidance on how any tension between an operator's obligations – notably to protect both the integrity of its market and the interests of its investors – ought to be resolved. We concluded that the appropriate balance would depend greatly on the specific facts of each individual case.

**Question 26:** Do you agree with the proposed approach that a PISCES operator's rules must enable it to refuse or cancel admission if it has serious grounds to conclude that a PISCES company is not, or is no longer, willing or able to comply with its rules? Y/N. Please give your reasons.

**Question 27:** Do you agree with the proposed approach to the powers a PISCES operator must have to postpone, suspend and terminate PISCES trading events? Y/N. Please give your reasons.

**Question 28:** Do you have any further comments on our general approach to PISCES operators' disciplinary arrangements?

## PISCES Market Risk Warning

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### Policy objectives

**4.119** Trading on PISCES will generally involve higher investment risks than trading on public markets. It is therefore crucial that all prospective PISCES investors are aware of those risks.

**4.120** Chapter 7 below outlines our proposal that intermediaries must not communicate or approve a financial promotion which relates to a PISCES share – and is not subject to an exemption – unless it contains a standardised risk warning. This is designed to help the limited subset of retail investors permitted to trade on PISCES understand the key risks of investing in PISCES shares. For example, the warning sets out the risks that consumers may lose all the money they invest and are unlikely to be protected if something goes wrong.

- 4.121** This risk warning is informed by behavioural research on improving consumers' perceptions of investment risk. It is designed to highlight the most important risks clearly and concisely to retail investors.
- 4.122** Yet trading on PISCES is also intended for institutional and professional investors and will pose new risks for all types of market participants. So we also propose to require PISCES operators to include a more detailed PISCES Market Risk Warning as part of any disclosure information they disseminate on their platform.
- 4.123** This PISCES Market Risk Warning has 2 key aims, to:
- Enable all types of eligible PISCES investors to consider the risks of trading on this new type of market when deciding to buy or sell PISCES shares.
  - Ensure consistency in the PISCES Market Risk Warning across PISCES operators to ensure both clarity for potential investors and minimise operational burdens for operators.

## Our proposal

- 4.124** As well as the risk warning set out in Chapter 7, we propose to require PISCES operators to apply the following PISCES Market Risk Warning as part of any disclosure information that companies disseminate on their platform:

***'Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment, and you are unlikely to be protected if something goes wrong. [LINK: Take 2 mins to learn more.](#) [This LINK will take the reader to the risk warning for PISCES retail investors, see paragraphs 7.29 to 7.40 below for more detail.]***

*Before investing, you should also be aware of the specific risks of a PISCES market outlined below.*

*PISCES is a market for the trading of private company shares. Investing in private companies may involve extra risks compared to trading in public companies. For instance, private companies may be at an earlier stage of development or have fewer shares in public hands available for trading.*

*PISCES trading events may be infrequent and are not guaranteed to repeat. This may make it more difficult for you to sell your shares. PISCES operators are subject to obligations that may require them to suspend or cancel trading events, to protect the orderliness of their platform.*

*PISCES company disclosures are not required to be approved by a PISCES operator or the FCA. You could reduce your risk of trading on PISCES by performing your own checks on PISCES company disclosures.*

*Company disclosures are subject to a specific statutory liability regime which may affect your ability to claim damages for losses caused by incorrect or misleading statements within them. Information identified as forward-looking information would be subject to a higher liability threshold. Seek advice as appropriate.*

*The UK Market Abuse Regulation does not directly apply to shares admitted to trading on a PISCES platform.*

*As a result, other investors may possess information relevant to an assessment of the price of admitted PISCES shares that has not been disclosed on PISCES. This means that some investors may have more information than others.*

*PISCES companies may set a minimum and/or maximum price for their shares on PISCES (a 'price parameter'). Companies will need to explain how they have determined these values and you should consider whether you think their price parameters are reasonable before trading their shares.'*

- 4.125** PISCES operators would be allowed to tailor the PISCES Market Risk Warning if they have a valid reason for doing so. For instance, if a PISCES operator chose not to enable to use of price parameters on their platform, then they would not need to include information about price parameters in their PISCES Market Risk Warning.

### **Rationale and risks**

- 4.126** We consider that our proposed PISCES Market Risk Warning will allow all PISCES investors to make an informed decision about whether trading on this type of market is suitable for them. We propose to require standardised text to ensure consistency in messaging for PISCES investors and clarity in our requirements for PISCES operators. We will still allow appropriate flexibility for different PISCES business models.
- 4.127** There is a risk that not all eligible PISCES investors will fully read or comprehend our PISCES Market Risk Warning. Unlike our risk warning for retail investors, it has not undergone any behavioural testing on how effectively it conveys investment risk. We have mitigated this risk by requiring our PISCES Market Risk Warning to include a prominent link to our risk warning for retail investors. This should help ensure that all PISCES investors can easily access risk warnings that provide a level of detail they find useful – whether a more concise summary of the most important risks designed for retail investors, or our more detailed PISCES Market Risk Warning targeted at all eligible participants.

**Question 29:** Do you agree with our framing of risks in our proposed PISCES Market Risk Warning? Y/N. Please give your reasons.

**Question 30:** Do you agree with our overall proposed approach to the PISCES Market Risk Warning? Y/N. Please give your reasons.

## Chapter 5

# Operator requirements: market manipulation and oversight

- 5.1** This chapter outlines our proposals for PISCES operators' role in monitoring trading on their platform. This includes mitigating the risk of manipulative trading practices occurring on a PISCES platform (refer to PS 4 in Appendix 1).

## Introduction

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### The legislative context

- 5.2** The Treasury has confirmed that the legal framework for PISCES will not include a MAR-like civil market abuse regime directly overseen by the FCA. It has also confirmed that a transaction reporting regime for PISCES is not required. This follows market feedback indicating that the costs and burdens to PISCES companies, investors and intermediaries of a MAR-like market abuse regime would outweigh the benefits and be a barrier to participation.
- 5.3** Instead, we will require PISCES operators to put in place rules and arrangements to mitigate the risk of manipulative trading practices occurring on their PISCES to complement and reinforce their existing requirements mentioned below. The PISCES operator will be responsible for monitoring, investigating and acting against manipulative trading practices on its PISCES. We will supervise the functioning of PISCES operators' rules and arrangements to ensure they maintain fair and orderly trading, protect investors, and preserve market integrity.
- 5.4** Without a MAR-like civil market abuse regime, certain existing regulatory requirements will continue to apply. These include:
- General obligations for RIEs and firms operating a PISCES platform to ensure fair and orderly trading on their facilities and counter the risk of enabling financial crime (including criminal market manipulation) under the RRRs, REC, MAR 5, and SYSC.
  - The Financial Services Act 2012 sections 89 and 90 (the criminal market manipulation regime). These provisions apply to any investment specified by an order made by the Treasury. The Financial Services Act 2012 (Misleading Statements and Impressions) Order 2013 provides that these investments are those that fall within Part 2 of Schedule 1 to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Those investments include shares in the share capital of any body corporate and so will apply to those shares admitted to a PISCES platform. We will continue to oversee and use the criminal market manipulation regime to act against prohibited conduct.



- 5.5** UK MAR will not apply directly to shares admitted to a PISCES platform as a PISCES platform is not a trading venue. However, PISCES shares may fall within the scope of UK MAR if their price or value depends on or influences the price or value of financial instruments admitted to trading on a trading venue under UK MAR. Similarly, Part 5 of the Criminal Justice Act 1993 (the criminal insider dealing regime) will not apply directly as PISCES is not a trading venue. The criminal insider dealing regime only applies to a security admitted to trading on a UK trading venue or on another of the trading venues listed in Article 3 of the Insider Dealing (Securities and Regulated Markets) Order 2023 and a security the price or value of which depends on, or has an effect on, the price or value of a security admitted to trading on one of those venues.
- 5.6** Chapter 3 includes our proposed approach for where PISCES company disclosures may constitute misleading statements under the criminal market manipulation regime.

### **Policy objectives**

- 5.7** In connection with this, regulation 9(2)(b) of the draft PISCES sandbox regulations provides that FCA sandbox rules may provide for the detection and prevention of abusive trading behaviours on a PISCES platform.
- 5.8** Our proposals aim to support PISCES operators by outlining our expectations of how they should detect and prevent manipulative trading practices on their PISCES. The objective is to ensure fair and orderly trading and to adequately and proportionately protect investors and market integrity, while accepting that investors will not have the same protections as in public markets where UK MAR applies. While PISCES may pose greater risks than public markets, we note that, other than employees, investors are likely to be institutional, professional and sophisticated and will receive risk warnings prior to trading on PISCES (paras 4.119-4.127 & 7.29-7.40). The proposals also set out notification and record-keeping requirements to enable us to oversee the criminal market manipulation regime.

### **Manipulative trading practices**

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- 5.9** This section outlines our proposed PISCES operator requirements for detecting and preventing manipulative trading practices on a PISCES platform.

### **Our proposal**

#### ***Prohibition on manipulative trading practices***

- 5.10** PISCES operators will be subject to existing obligations applicable to trading venue operators to ensure fair and orderly trading on their platform and to counter financial crime. The instrument we are consulting on includes guidance highlighting the most relevant of these requirements for PISCES operators.



- 5.11** To complement these requirements, we propose requiring PISCES operators to put in place rules and measures that detect and prevent manipulative trading practices on their PISCES. We propose a rule that requires PISCES operators' rules to prohibit members and participants from undertaking manipulative trading practices or facilitating and enabling others from undertaking such practices.
- 5.12** Manipulative trading practices include abusive, deceptive or manipulative trading practices that give or are likely to give false or misleading impressions or signals as to the market in or the price or value of PISCES shares. This also includes attempted manipulative trading practices.
- 5.13** We do not intend to specify types of manipulative trading practices that PISCES operators should prohibit. This is because these practices may vary between PISCES operators depending on the nature of their trading arrangements, members / participants, and business model. When prohibiting manipulative trading practices, we will expect PISCES operators to consider whether the market abuse activities and behaviours listed in UK MAR, MiFID Organisational Regulation, and REC could apply to their PISCES. We have proposed guidance to this effect.
- 5.14** Applicants for the PISCES sandbox will, as part of their application, be required to provide a comprehensive assessment of their rules and arrangements for detecting and preventing manipulative trading practices on their PISCES. The assessment should identify the risks of manipulative trading practices and the proportionate implementation of measures to mitigate those risks. The explanation should consider the nature and type of users of the PISCES.
- 5.15** We propose a rule requiring PISCES operators to regularly review and, if appropriate, update their risk assessment and measures to mitigate the risk of manipulative trading practices on an ongoing basis. These rules would also require PISCES operators to notify us of material changes.
- 5.16** Our approach aims to give PISCES operators the flexibility to design appropriate rules and arrangements which are targeted at the risks of manipulative trading practices on their PISCES.

### ***Monitoring and disciplinary arrangements***

- 5.17** PISCES operators will be subject to existing requirements applicable to trading venue operators to have monitoring arrangements to detect breaches of their rules, including manipulative trading practices, and conduct prohibited under the criminal market manipulation regime. As explained in Chapter 8, we also propose to update certain existing obligations for monitoring market abuse to refer to the criminal market manipulation regime rather than UK MAR.
- 5.18** We propose providing guidance to PISCES operators to set out our expectations on their monitoring arrangements. This will include that their arrangements are proportionate to the scale, size and complexity of their PISCES, considering their users and their trading arrangements.

**5.19** To prevent manipulative trading practices, PISCES operators will be required to have disciplinary arrangements in place to act against breaches of their rules (see paragraphs 4.104-4.118). We expect that such arrangements would:

- Enable PISCES operators to assess compliance with their rules, including through rules that require members / participants to provide information to support investigations of manipulative trading practices.
- Permit PISCES operators to take suitable disciplinary action against members / participants undertaking manipulative trading practices.

**5.20** We also propose guidance that PISCES operators should consider interventions to protect market integrity if they become aware of manipulative trading practices, such as postponing, suspending or terminating a trading event.

### Rationale and risks

**5.21** Without a MAR-like civil market abuse regime, there could be a higher risk of market abuse on PISCES compared to the public market. In particular:

- There will not be an insider dealing regime for PISCES. Some investors (such as employees) may have more information than others, notwithstanding the core disclosures we are requiring under PS 2 in Appendix 1. Unlike on public markets, those investors will not be prohibited from trading on such information on PISCES under a civil or criminal market abuse regime.
- PISCES operators' ability to detect and prevent manipulative trading practices occurring on PISCES may be limited to the behaviours and activities on their PISCES. This means that behaviours and activities outside this may not fall within the scope of their rules and arrangements.

**5.22** We consider that our approach applies proportionate costs and burdens to PISCES operators and intermediaries to provide protections aligned with the type of investors eligible to trade on PISCES. It also considers the risk warnings being provided including the Market Risk Warning in paragraph 4.124. The approach reflects feedback to the Treasury's consultation suggesting market participants were prepared to accept fewer protections for reduced burdens.

**Question 31:** Do you agree with the proposed approach to manipulative trading practices as described above? Y/N. Please give your reasons.

**Question 32:** Do you agree with the proposed approach to monitoring arrangements? Y/N. Please give your reasons.

## Notifications and record keeping requirements

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- 5.23** This section explains our proposals for notifications and record keeping requirements to support our oversight of conduct prohibited under the criminal market manipulation regime on PISCES.

### Our proposal

#### *Notifications*

- 5.24** As outlined in PS 6 in Appendix 1, regarding REC/MAR 5, we propose modifications to existing market abuse notification requirements to adapt them to PISCES, as notifications under UK MAR are not applicable for PISCES (Chapter 8).
- 5.25** PISCES operators will be required under MAR 5.6.1R to notify us of breaches of rules relevant to manipulative market practices, disorderly trading conditions involving such conduct and conduct that may involve criminal market manipulation under sections 89 and 90 of the Financial Services Act 2012. We propose guidance reiterating this obligation to PISCES operators.
- 5.26** PISCES operators should submit notifications to us where they know, or suspect, or have reasonable grounds for knowing or suspecting, that criminal conduct has occurred. We propose guidance setting out this expectation.
- 5.27** PISCES operators can submit notifications to us by using the existing Market Observation Form.
- 5.28** Firms and investors may also use the Market Observation Form where they want to notify us of potential misconduct on PISCES.

#### *Record keeping requirements*

- 5.29** We propose requiring PISCES operators to keep order book records which they would need to provide to us on request. This would replicate the existing order book record requirements for UK trading venues under UK MiIFR Article 25(2).
- 5.30** We also propose guidance reminding PISCES operators of other existing record keeping requirements in SYSC and the RRRs that will remain relevant to PISCES.

### Rationale and risks

- 5.31** The proposed modifications to notification requirements will ensure we are notified of potential criminal offences, particularly offences involving market manipulation, so that we can review and investigate where appropriate.
- 5.32** Without a transaction reporting regime, we will rely on existing record keeping requirements and information requests to help us review conduct prohibited under the criminal market manipulation regime. We consider that applying existing requirements should be less burdensome than applying new bespoke requirements for PISCES.

**5.33** We believe that relying on order book records and notifications from PISCES operators balances our ability to investigate misconduct with applying proportionate burdens to PISCES operators and intermediaries.

**Question 33:** Do you agree with the proposed approach to notification requirements? Y/N. Please give your reasons.

**Question 34:** Do you agree with the proposed approach to record keeping requirements? Y/N. Please give your reasons.

## Intermediaries

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**5.34** Without a UK MAR-like civil market abuse regime, intermediaries will not be subject to requirements like those under UK MAR. We propose guidance setting out that we still expect intermediaries to play a role in protecting market integrity and countering the risk of financial crime. This includes conduct prohibited under the criminal market abuse regime and is consistent with intermediaries' existing obligations under, for instance, SYSC 6, the Financial Crime Guide, PRIN 1 and PRIN 5.

**5.35** Our proposed guidance states that intermediaries can also use the existing Market Observation Form to notify us of potential conduct prohibited under the criminal market manipulation regime on a PISCES platform.

**5.36** Our proposed guidance states that personal account dealing restrictions under COBS 11.7A would continue to apply, for the misuse of information relating to pending client orders.

**Question 35:** Do you agree with the proposed guidance for intermediaries on market manipulation? Y/N. Please give your reasons.

## Chapter 6

# Our approach to operating the PISCES sandbox and application requirements

- 6.1** This chapter outlines our proposals on high level guidance and minor procedural rules concerning our approach to operating the PISCES sandbox, which are set out in PS 1 in Appendix 1. This also provides further detail on our current thinking on the information we will require from a PISCES operator applicant.
- 6.2** We will also offer pre-application engagement, in advance of our final rules being published, for those interested in submitting a PISCES operator application.

## High level guidance and procedural rules concerning our approach to operating the PISCES sandbox

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- 6.3** Most of PS 1 in Appendix 1 summarises the functions that would be conferred on us under the draft PISCES sandbox regulations. These involve operating the sandbox, as well as the Treasury's proposed eligibility requirements for applicants. PS 1 in Appendix 1 also contains rules clarifying the application of the PISCES sourcebook to Gibraltar-based firms.
- 6.4** PS 1 in Appendix 1 also includes guidance setting out our high-level approach to determining PISCES sandbox applications. We are including our general approach as part of this consultation to give an early indication to potential applicants but will issue more detailed guidance at a later stage.
- 6.5** We will not approve an application to operate PISCES by an eligible applicant unless we are satisfied that all the following are met:
- 1.** The operational model being proposed meets the definition of a PISCES platform and as such is in scope of the PISCES sandbox arrangements.
  - 2.** The applicant has the correct Part 4A permissions or benefits from an RIE exempt person status.
  - 3.** The PISCES operator can demonstrate it has comprehensively assessed and understood the risks that may arise in the operation of its PISCES and put in place appropriate mitigating steps.
  - 4.** The PISCES operator can clearly demonstrate that it is ready, willing and able to comply with the requirements that apply to it.
- 6.6** We will also consider (a) whether approving the application would be consistent with advancing our operational objectives, and (b) the applicant's supervisory and enforcement record, including whether it has dealt with us in an open and cooperative way.

- 6.7** We also propose guidance clarifying the scope of the concept of a PISCES platform for these purposes. Significant regulatory dispensations apply to a PISCES platform under the sandbox arrangements. This means an applicant will need to demonstrate to us that it is, genuinely, operating the specific kind of platform which the Treasury considers should benefit from these arrangements, as set out in the PISCES legislation.
- 6.8** A key distinguishing factor between a PISCES platform and other forms of trading venues is that the former, to benefit from the sandbox arrangements, may only hold trading periods in a given share intermittently. The draft PISCES sandbox regulations already further define 'intermittent' as meaning occasional, not frequent and of limited duration. Our proposed guidance explains that, consistent with the Treasury's publication, this could include monthly, quarterly, annually or ad hoc trading periods. The frequency and duration of the trading periods must be aligned to the primary purpose of a PISCES platform of concentrating liquidity in, and facilitating the effective price discovery of, shares in companies that are not otherwise traded on a multilateral system.
- 6.9** Under the modifications made by the draft PISCES sandbox regulations, the regulated activity being carried on by a PISCES operator will, at least, involve arranging (bringing about) deals in investments for shares, rather than operating an MTF.
- 6.10** Accordingly, an applicant will need either the arranging permission or to benefit from the exemption in section 285(2) of FSMA 2000 to operate a PISCES platform lawfully in the sandbox.
- 6.11** We also propose high level procedural rules on how we intend to treat requests for a waiver of modification under the powers in regulation 9(6) to (8) of the draft PISCES sandbox regulations. These propose that an application must be made in writing and contain a clear explanation of why waiver or modification is requested. We also propose a rule requiring a PISCES operator to update us immediately if it becomes clear there is any matter which could affect the continuing relevance or appropriateness of the application for waiver.
- 6.12** The draft PISCES sandbox regulations confirm under regulation 5(1) and 5(2) that an application to operate a PISCES platform must be made to us for approval, in a manner we direct, and contain information we may reasonably require to determine the application. Regulation 5(3) sets out some information we may include as part of our requirements, as this is not intended to be a comprehensive list. Our draft proposals below consider and incorporate items referred to in regulation 5(3).

## Information submission requirements

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- 6.13** This section describes the types of information we are likely to require from those applying to operate a PISCES platform.

### Operator rulebooks

- 6.14** The operator's draft rulebooks for companies and its members, including its complaints handling and disciplinary arrangements.

## Company and investor onboarding information

- 6.15** Any admission criteria for companies, members and participants where these are not already covered in the operator's rulebooks.
- 6.16** Processes for companies, members and participants, and investors to access its platforms, details of any permissioned trading events and how any investor access restrictions will be managed.
- 6.17** The circumstances and arrangements for refusing or cancelling a company's member's or participant's admission.

## Disclosure arrangement information

- 6.18** In line with our proposals in Chapter 3, this would include a detailed description of the operator's disclosure arrangements. It would also include a supporting risk assessment that considers the type and nature of companies and investors it expects to use its PISCES. The operator would need to demonstrate how its rules and arrangements are appropriate for the efficient and effective functioning of its PISCES.
- 6.19** The operator's disclosure monitoring arrangements. This will include its related complaints and disciplinary handling, and its arrangements for notifying us of misleading statements under the criminal market manipulation regime.
- 6.20** This may also cover the steps an operator will take to ensure that all the PISCES disclosure information disseminated via its arrangements is accompanied by the Market Risk Warning.

## Trading event information

- 6.21** Details of the operator's proposed frequency and duration of its intermittent trading events, its public notification arrangements for those events, its arrangements for notifications of any permissioned trading event restrictions and details of how its trading system will function.
- 6.22** Details of the operator's arrangements for monitoring its users' compliance with its rules, its arrangements for any optional features such as the use of price parameters, the pre and post trade transparency data an operator will disseminate and its technical arrangements for doing so, and details of trading interventions such as postponing, suspending or terminating a trading event.

## Market manipulation oversight information

- 6.23** In line with our proposals in Chapter 5, this would include a detailed description of the operator's market manipulation oversight arrangements, with a supporting risk assessment that considers the measures put in place and the type and nature of companies and investors it expects to use its PISCES. The operator would need to demonstrate how its rules and arrangements are appropriate for the efficient and effective functioning of its PISCES.

## Post trade arrangements information

- 6.24** An explanation of the operator's settlement arrangements, including default arrangements.

## General information

- 6.25** A general explanation of how the operator will comply with the applicable requirements (where not otherwise specified). It will also include information on the operator's organisational structure, management/governance arrangements, prudential arrangements, wind-down plan, outsourcing arrangements, technology overview and resilience/business continuity arrangements, and business plan.

## Next steps

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- 6.26** We will publish further information in due course on:
- The operator application process, form, and information requirements.
  - Further guidance and requirements on how the PISCES sandbox will operate.
  - Pre application engagement opportunities for those interested in submitting a PISCES operator application once our final rules are published.

**Question 36: Do you have any comments on the above draft proposals?**



## Chapter 7

# Trading intermediary requirements: promotion and distribution

- 7.1** This chapter sets out our proposals for the consumer protections we consider should apply to enable retail investors, who are individuals and eligible to trade on PISCES, to identify investments that suit their circumstances and attitude to risk (*refer to PS 5 in Appendix 1*). These proposals would not apply to the activities of a firm in relation to a retail client which relate exclusively to the sale of shares in a PISCES trading event. They would also not apply to professional or institutional investors.

## The legislative context

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### Investor access to PISCES

- 7.2** The Treasury has set out in paragraph 2.7 of its PISCES Consultation Response that a limited subset of retail investors will be permitted to trade on PISCES. The categories of eligible retail 'PISCES investors' (Regulation 4(3) of the draft PISCES sandbox regulations), who are individuals, are:
- a qualifying individual (see definition below)
  - a high net worth individual defined in Article 48 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ('the Financial Promotion Order' or 'the FPO')
  - a self-certified sophisticated investor defined in Article 50A of the FPO, and
  - a sophisticated investor defined in Article 50 of the FPO
- 7.3** For PISCES employees and other relevant individuals, the Treasury has created a new definition of 'qualifying individual.' This definition is set out in Regulation 4(4) in the draft PISCES sandbox regulations as a person:

- (a) who is employed by, or is a director or other officer of, a PISCES company;*
- (b) who is employed by, or is a director or other officer of, a company within the immediate group of the PISCES company and whose work is in connection with the PISCES company;*
- (c) whose services, under an arrangement between the PISCES company and a third party, are placed at the disposal and under the control of the PISCES company;*

*(d) whose services under an arrangement between a company in the PISCES company's immediate group and a third party are placed at the disposal and under the control of the PISCES company's immediate group and whose services are in connection with the PISCES company's business'*

- 7.4** The draft PISCES sandbox regulations set out in Regulation 4(6) that for an investor to be able to trade, the financial intermediary placing the order to buy an admitted PISCES share, must not do so unless they believe on 'reasonable grounds' when placing the order, that the person will be eligible (ie a PISCES investor) immediately before the order is executed.
- 7.5** The draft PISCES sandbox regulations define persons who are financial intermediaries, which includes authorised persons as well as appointed representatives. As stated in the Treasury's accompanying policy note to the draft PISCES sandbox regulations, it is intended (in line with current arrangements) that the principal firm will be responsible for anything which the appointed representative has done or omitted as respects business for which the principal has accepted responsibility in writing.
- 7.6** As set out above, there will be a legal obligation on those taking orders to place trades on PISCES to 'believe on reasonable grounds' (in line with the approach in the FPO) that an individual meets the investor eligibility criteria set out in the draft PISCES sandbox regulations. For example, for high net worth and sophisticated investors, this can be established by the individual having completed and signed a statement indicating that they satisfy the relevant criteria. For PISCES employees, a financial intermediary may rely on a 'certified list' of qualifying individuals supplied by the PISCES company.
- 7.7** The Treasury's November 2023 [Financial promotion exemptions consultation response](#) set out that, although it will remain a matter for the courts as to what 'reasonable belief' means in the context of investor statements, it would be enough for an individual to demonstrate they have taken sufficient steps to form a reasonable belief that a completed and signed statement exists and that completion of that statement indicates that the potential investor satisfies the conditions set out in the statement. There is also existing guidance on the meaning of 'belief on reasonable grounds' in [PERG 8.11.6](#).

## **The Financial Promotion Order (FPO)**

- 7.8** In paragraph 6.2 of its Consultation Response, the Treasury stated its intention to modify the FPO to create a new exemption for the purposes of the PISCES sandbox. This would be based on the exemptions available for promotions included in mandated public market disclosures.
- 7.9** The Treasury has stated that the new exemption from the financial promotion restriction would apply to disclosures that are required or permitted by us, or the rules of the PISCES operator, under the new and bespoke disclosure regime being created by us. The exemption would apply to the disclosures set out in Chapter 3.

- 7.10** This means that the financial promotion restriction will still apply to any communication that is a financial promotion and does not meet the criteria of this new exemption. Where promotions are communicated to high net worth and sophisticated investors in reliance on the relevant FPO exemptions, our financial promotion rules would not apply. Our proposed distribution rules would continue to apply when distributing PISCES shares to any retail investor who is an individual.
- 7.11** Any promotions which are not exempt from the financial promotion restriction and which are communicated, or caused to be communicated, by an unauthorised person (such as a PISCES company) would need to be approved by an authorised person that was lawfully able to provide that approval – either on the basis of permission to do so or within the scope of an exemption.
- 7.12** In its Consultation Response, the Treasury also said it will modify the FPO to ensure that shares on PISCES are considered 'shares in an unlisted company' under the FPO. This is to allow the use of the exemptions for high-net worth individuals and self-certified sophisticated investors in this context.

## Our proposal

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- 7.13** We want to ensure that eligible retail investors who are individuals, who decide to invest in PISCES shares:
- understand the risks they are taking and the regulatory protections available to them and invest with confidence
  - only access these high-risk investments knowingly and after intermediaries have assessed that they have the relevant knowledge and expertise, and
  - are not pressured, misled or induced to take on investments that do not match their risk tolerance
- 7.14** We have assessed the risks to these different categories of retail investor trading on PISCES and considered how our rules can secure an appropriate degree of protection for consumers. We propose restrictions on the distribution of PISCES shares that are similar in policy intent to the existing restrictions in our financial promotion rules for restricted mass market investments (RMMI) in Conduct of Business Sourcebook (COBS) 4.12A.
- 7.15** We have aimed to strike a balance between ensuring our proposed consumer protections influence consumer behaviour effectively, while also considering the costs to intermediaries and the regulatory principle that consumers should take responsibility for their own decisions.

**7.16** For retail investors, we consider that the risk of investing in PISCES shares is broadly comparable to the risk of investing in other private shares, such as those available on investment-based crowdfunding platforms. For example:

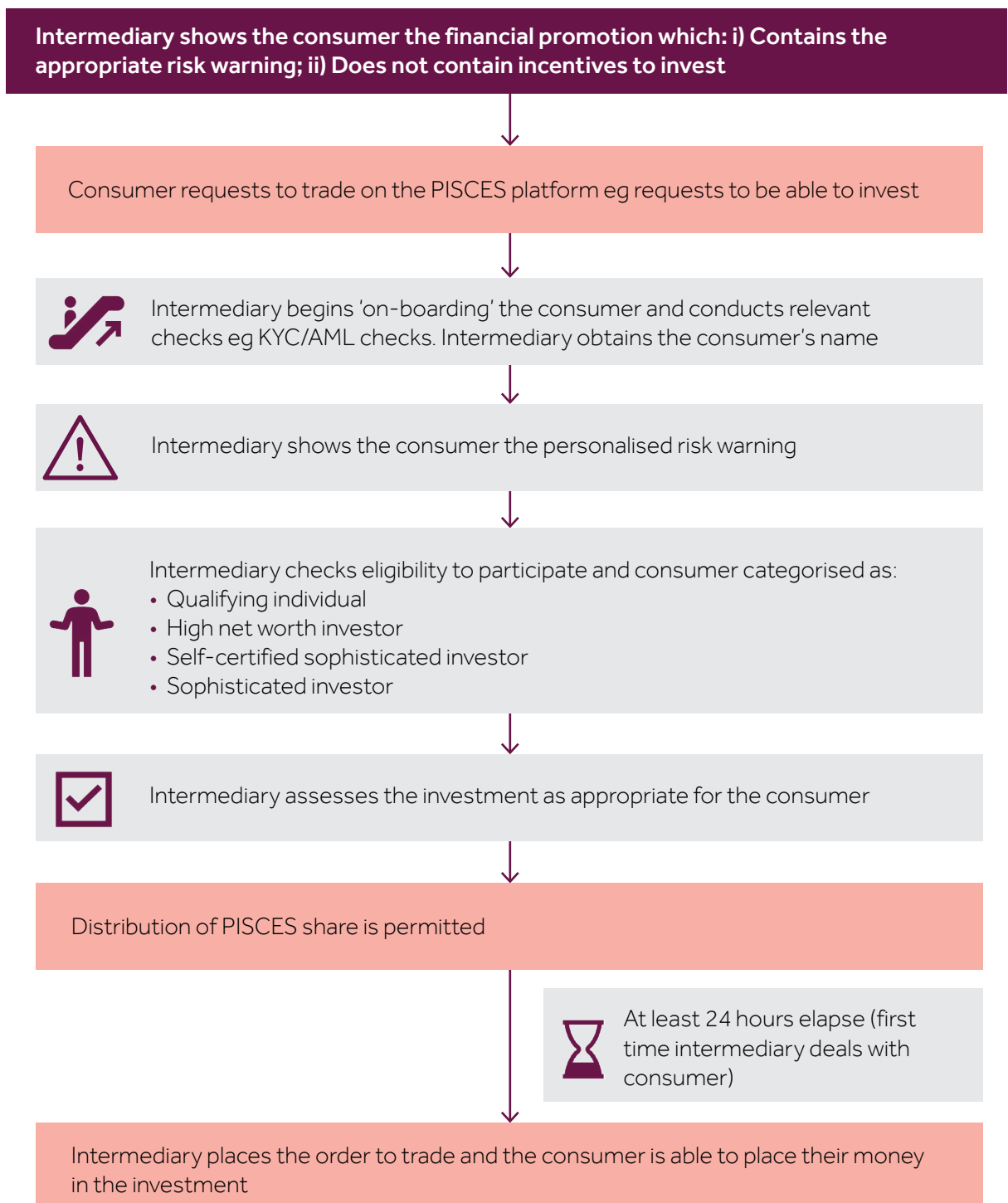
- *Investors may not have frequent opportunities to sell PISCES shares*  
PISCES shares will not be admitted to trading on a public market in the UK. They may be traded during intermittent trading events to give existing shareholders exit opportunities and new eligible investors access to those companies.  
While the potential for future trading events means that a PISCES share may have higher liquidity than other forms of investment in private companies, individual companies will be under no obligation to return to PISCES for future trading events. We also note that it will be for the government to decide whether this regime is made permanent.  
Retail investors may not be able to sell their shares via the platform and may have to try to find a buyer themselves – which may not be possible.
- *Investors are typically investing in companies or individuals about whom limited public information may be available*  
While our disclosure rules will set out core disclosure information which companies will need to disclose, this can only reduce this risk to a limited extent.  
Retail investors should still carry out their own research to determine if an investment is suitable for them, but we recognise very limited information may be available.
- *Investors could lose all the money they invest*  
Although the companies that use PISCES may be more established than those using investment-based crowdfunding platforms, this is not guaranteed.  
These will still be unlisted shares in growth-stage companies where it will be complex for consumers to assess value (despite the disclosure requirements on PISCES shares). There will still be a significant risk of all or partial capital loss.

**7.17** We also note that the PISCES sandbox regime is new and untested, which may expose consumers to harm they did not anticipate. It may be difficult for retail investors to understand how the PISCES sandbox works. While they may consider that our involvement provides a level of assurance, retail investors would be investing in unlisted companies.

**7.18** As investing in PISCES shares poses risks to retail investors that our current rules aim to mitigate, we consider that it is appropriate and proportionate to use our existing rules as a starting point. The benefit of this is that stakeholders may be familiar with the existing rules, and this will minimise the impact of our proposed changes where possible.

- 7.19** Non-readily realisable securities (NRRS), that can be sold either directly by the issuer or through an intermediary such as a crowdfunding platform, are categorised as Restricted Mass Market Investments (RMMIs) in our financial promotion rules. Our restrictions on the promotion of RMMIs are set out in COBS 4.12A. This includes, for direct offer financial promotions to retail clients, compliance with the appropriateness rules in COBS 10 or COBS 10A. We also have record-keeping requirements that apply to financial promotions for RMMIs in COBS 4.11.
- 7.20** We therefore propose to apply similar restrictions to investor access to PISCES. Firms providing investment services to PISCES investors will still be subject to the general conduct requirements in our Handbook, such as acting in the client's best interests, as well as the Consumer Duty.
- 7.21** Our current RMMI rules restrict a firm from making a direct offer financial promotion (in general terms, this specifies how consumers can respond or includes a form to do so) to a retail client, unless certain conditions are satisfied. The PISCES regime is principally concerned with the trading of PISCES shares and the way in which these shares are distributed to investors. As such, while we have proposed some rules applying to financial promotions for PISCES shares, we have proposed to apply our 'consumer journey' requirements (based on the rules in COBS 4.12A) by reference to the distribution of PISCES shares rather than their promotion.
- 7.22** Our proposed rules on market access for PISCES investors assume an intermediated model. We expect this will be the common model for retail investors who will buy or sell PISCES shares via an intermediary, rather than interacting directly with the PISCES operator. These rules would require an intermediary to comply with similar requirements to those we require for RMMIs before they can promote or distribute PISCES shares to retail investors. In addition to our proposed rules banning incentives to invest, this means they must:
- include a risk warning when promoting PISCES shares to or approving promotions for PISCES investors, and,
  - present a personalised risk warning, undertake client categorisation, assess appropriateness and implement a cooling off period before distributing PISCES shares

**Figure 1: Example of how intermediaries could apply these rules**



## Banning incentives to invest

**7.23** We continue to believe that incentives to invest, such as refer a friend bonuses and new joiner bonus, can unduly influence consumers' investment decisions and cause them to invest without fully considering the risks.

- 7.24** Our consumer research shows that, when new investors are being referred by friends, family and other contacts, this creates powerful social and emotional drivers to invest, with consumers often failing to realise the risks until it is too late. Investors can wrongly assume the investment being promoted is credible because it is referred to them by someone they already know and trust.
- 7.25** We have also seen bad actors use incentives to invest to achieve rapid and exponential growth in fraudulent investment schemes that rely on the flow of money from new investors to fund existing investors' returns.
- 7.26** Our current rules in COBS 4.12A have the effect of preventing firms from incentivising participation in the issuance of securities on the primary market, or, for example, from incentivising retail investors to buy investments via a crowdfunding platform. PISCES will operate as a secondary market enabling the trading of existing shares, and so we consider that incentives would be more likely to be driven by intermediaries seeking to increase trading volumes.
- 7.27** Consistent with our existing rules for RMMLs, we have proposed a rule banning financial promotions for PISCES shares from containing any monetary and non-monetary benefits that incentivise investment activity (as per COBS 4.12A.7R). We also propose that this rule applies when a firm is distributing a PISCES share. These rules are intended to capture incentives such as refer a friend or new joiner bonuses.
- 7.28** We do not consider information about the investment, such as advertised rates of return, to be within scope of this rule. The proposed rules would not limit information intermediaries can provide to consumers about the investment.

**Question 37: Do you agree with our proposal to ban incentives to invest in PISCES shares?**

**Risk warning**

- 7.29** Risk warnings are designed to help retail investors understand the risks of an investment and the level of regulatory protection they have when they invest. Consistent with our existing rules on risk warnings, we consider there is a role for clear, prominent and behaviourally informed risk warnings to help retail investors engage with the risks of investing in PISCES shares.
- 7.30** We propose to require that intermediaries must not communicate or approve a financial promotion which relates to a PISCES share unless it contains a risk warning that complies with our rules (similar to COBS 4.12A.10R)

- 7.31** We propose to use the existing standard risk warning for NRRSs to help consumers understand the key risks of the investment (as per COBS 4.12A.11R). We previously selected this wording for our rules as it was effective in behavioural research on improving consumers' perceptions of investment risk:

**Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment, and you are unlikely to be protected if something goes wrong. Take 2 mins to learn more.**

- 7.32** The 'Take 2 mins to learn more' link leads to a risk summary setting out some of the key risks of investing in a PISCES share. The draft rules set out the differences in requirements for financial promotions that are not on websites or mobile applications. For example, where the financial promotion does not appear on a website, mobile application or other digital medium we would expect intermediaries to provide the 'Take 2 mins to learn more' risk summary to the consumer in a durable medium where possible.
- 7.33** We propose prescribed risk information about investing in PISCES shares. We propose to use a version of the risk summary for NRRS which are shares (as set out in COBS 4 Annex 1) with a new section highlighting the risks to consumers of investing via a new, test trading platform and minor changes to account for the above risks.
- 7.34** This risk summary would appear in a pop-up box when a consumer clicks on the link in the risk warning. The language we propose is based on language used in the behavioural testing. Intermediaries should continue to provide further risk information specific to their business model and the product or service promoted (as per COBS 4.5.2 R or COBS 4.5A.3 R) as well as the information in the pop-up, ensuring the whole of the promotion is clear, fair and not misleading. This risk information should also be succinct and in plain English.
- 7.35** As this investment is being offered via a test trading platform with novel features, the proposed risk summary also directs consumers to our more detailed PISCES Market Risk Warning. The PISCES Market Risk Warning would be presented in a pop-up box when a consumer clicks on the link in the risk summary.
- 7.36** As set out in paragraphs 4.117 to 4.125, the PISCES Market Risk Warning is intended to enable all types of PISCES investors (however sophisticated) to consider the risks of trading on this new type of market. We also propose to require PISCES operators to ensure that the PISCES Market Risk Warning is applied to any disclosure information that companies disseminate on their platform.
- 7.37** The proposed risk summary is in line with our proposed guidance for matters to be covered within appropriateness tests. If intermediaries display further risk information, they should also consider covering this within their appropriateness test as relevant (and vice versa with additional topics covered in appropriateness tests).



- 7.38** Intermediaries would be allowed to tailor a template risk summary if they have a valid reason for doing so. For example, if the information would be misleading or is irrelevant, or if an additional risk should be included for the investment. Intermediaries would be required to record their rationale for any changes.
- 7.39** Our behavioural research showed that personalised messages and prominent signposting to further information were the most effective intervention in getting consumers to click on the risk summary. So we propose that a personalised risk warning also appears to retail investors before an intermediary distributes a PISCES share:

**[Client name], this is a high-risk investment. How would you feel if you lost the money you're about to invest? Take 2 mins to learn more.**

- 7.40** The 'Take 2 mins to learn more' would link to the same PISCES specific risk summary as in the main risk warning. Where the personalised risk warning does not appear on a website, mobile application or other digital medium, intermediaries would need to provide it, and the risk summary, to the consumer in a durable medium.

**Question 38: Do you agree with our proposed requirements for risk warnings and the proposed risk warnings, as outlined in paragraphs 7.29 to 7.40?**

### Investor categorisation

- 7.41** Our current rules require firms to categorise a retail client before communicating a direct offer financial promotion for a RMMI. For PISCES, we propose to require intermediaries to establish that an individual retail investor is a 'PISCES investor' before distributing a PISCES share. Intermediaries may, in appropriate circumstances, establish this at the same point at which they meet their obligation to 'believe on reasonable grounds' that an individual meets the investor eligibility criteria set out in the draft PISCES sandbox regulations.
- 7.42** As above, the draft PISCES sandbox regulations set out the criteria that retail investors must meet to be eligible to trade on PISCES. For completeness, we propose to refer to these criteria by way of guidance in our rules.
- 7.43** A PISCES employee, who is not a high net worth or sophisticated investor, may not have the same ability to withstand losses or assess the risk of investment as a high net worth or sophisticated investor. So we propose that employees should be given similar protections to a 'restricted investor' under our current rules in COBS 4.12A.
- 7.44** The 'restricted investor' category enables retail investors to receive promotions about riskier investments if they sign a statement as per COBS 4 Annex 5. This states that they have not in the last 12 months invested, and will not in the next 12 months invest, more than 10% of their net assets (some assets are excluded from this calculation) in high-risk investments.

- 7.45** We propose to require intermediaries to confirm that PISCES employees (ie who are not high net worth or sophisticated investors) complete and sign an adapted version of the restricted investor statement, which indicates they meet the criteria to be a restricted investor, before distributing PISCES shares to them.
- 7.46** The adapted restricted investor statement refers to PISCES employees not investing more than 10% of their net assets in high-risk investments. The statement includes PISCES shares as an example of a high-risk investment to clarify its relevance in a PISCES platform context.
- 7.47** Retail investors who self-certify as high net worth or sophisticated investors can have limited investor protection. Where investors who do not meet the criteria self-certify, there is a risk of harm from consumers investing in products that do not meet their needs or risk appetites.
- 7.48** However, as set out below, our rules would require the investment is assessed as appropriate for the retail investor before a PISCES share is distributed to them. This requirement would apply whether the investor is high net worth, sophisticated or an employee. We consider this provides an appropriate degree of protection by reducing the potential to trade for any retail investors wrongly categorised as eligible.
- 7.49** The draft PISCES sandbox regulations propose that intermediaries may rely on a 'certified list' of qualifying individuals, as provided by the PISCES company. We consider that this would also appropriately mitigate the potential for non-employees to be miscategorised and to get access to trading on PISCES where they are ineligible.

**Question 39:** Do you agree with our proposed rule to require intermediaries to establish that an individual retail investor is a 'PISCES investor' before distributing a PISCES share? If not, why not?

**Question 40:** Do you agree with our other proposed rules and guidance on the relevant retail PISCES investor categories? If not, why not?

**Question 41:** Do you agree with our proposal to impose a requirement for employees that are not high net worth or sophisticated investors to sign a restricted investor statement?

### Assessing appropriateness

- 7.50** Under our existing RMMI rules, firms must comply with our rules on appropriateness. These rules require firms to consider the investor's knowledge and experience in the relevant investment field, to enable a firm to assess whether the product is appropriate for that investor.

- 7.51** The appropriateness test is a key consumer protection, designed to alert consumers where a product or service is not considered appropriate for them (ie where they lack the knowledge or experience to understand the risks involved). Our appropriateness requirements are often met through an interactive set of questions given to the consumer online, without any human involvement from the firm.
- 7.52** The appropriateness rules must be followed with all categories of retail client for RMMIs (namely restricted, high-net worth and sophisticated investors), unless the investor is getting advice (as per COBS 4.12A.17R).
- 7.53** We propose that a firm can only distribute a PISCES share once it has assessed that the share is appropriate for the relevant retail investor. We also propose additional guidance on the appropriateness test in line with our proposed risk summary, for a PISCES investment.
- 7.54** We have proposed guidance based on the existing guidance for assessing appropriateness for NRRS (as per COBS 10 Annex 1). This includes ensuring that a retail investor is asked questions that cover the nature of the test trading platform and other minor changes to tailor the appropriateness test.
- 7.55** In a PISCES platform context, we propose that the appropriateness rules must also be followed with all categories of retail investors, unless the investor is getting advice.

**Question 42: Do you agree with our proposal that a firm can only distribute a PISCES share once it has assessed its appropriateness for the retail client? Do you agree with the proposed appropriateness test guidance?**

### Cooling off period

- 7.56** Our existing RMMI rules require that firms do not show a direct offer financial promotion to consumers until at least 24 hours have passed since consumers asked to view it. This is to ensure a slower sales process so that consumers have sufficient time to reflect on their decision-making.
- 7.57** We propose to adapt this requirement to permit firms to place an order for a PISCES share no sooner than 24 hours following an appropriateness assessment, when a PISCES share has been assessed as appropriate for a new eligible retail client. This rule would only apply to first-time PISCES investors with a particular firm and would not apply to investors looking to sell their existing shares.
- 7.58** Given the risks we have identified for retail clients investing in PISCES shares, we want to restrict firms from distributing shares to new retail investors where the investor has been onboarded during, or shortly before, the trading event. This is to ensure that consumers do not feel pressured to invest and have sufficient time to reflect on whether this investment can meet their needs and risk appetite.

**Question 43: Do you agree that there should be a 24-hour cooling off period for new retail clients before placing a first order for a PISCES share?**

### **Record keeping requirements**

- 7.59** Under our existing rules, a firm must make an adequate record of any financial promotion it communicates, approves or confirms compliance for (as per COBS 4.11.1R – COBS 4.11.3G). There are specific record keeping requirements for direct offer promotions for RMMIs, including metrics covering client categorisation and appropriateness assessments (as per COBS 4.11.5R – COBS 4.11.8R).
- 7.60** Under the Consumer Duty, firms also need to assess, test, understand and be able to evidence the outcomes their consumers are getting. Firms should monitor the impact of communications throughout the consumer journey. For example, whether consumers access additional information on risk warnings when taking out investments, and whether they act on this information.
- 7.61** It is important that intermediaries keep adequate records of their compliance with the distribution rules and any financial promotion for a PISCES share that they communicate, approve or confirm compliance for. So we propose to apply and, where appropriate, adapt these record keeping requirements for the purpose of PISCES.

**Question 44: Do you agree with the proposed record keeping requirements for intermediaries regarding financial promotions for PISCES shares?**

**Question 45: Do you consider we should implement any other promotion and/or distribution requirements on intermediaries, in addition to what is set out in this chapter, which seek to protect retail investors? If so, what other requirements should we implement?**

## Chapter 8

# Modified application of Handbook rules and guidance

- 8.1** This chapter outlines our proposals to issue guidance on how existing rules and guidance in the Handbook apply to persons when they are participating in PISCES, where not covered by other chapters. It also sets out our proposals to modify how existing rules will apply to the PISCES sandbox arrangements (refer to PS 6 in Appendix 1, and to Appendix 2).

## Introduction

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### The legislative context

- 8.2** The aim of Regulation 9(4) of the draft PISCES sandbox regulations is to allow us to disapply, modify and apply our FCA rules specifically where we consider this is expedient for operating and implementing the PISCES sandbox arrangements. This broad, but temporary, power to modify existing rules would mirror the Treasury's powers to modify relevant legislation for the purposes of the PISCES sandbox. It would be distinct from our pre-existing power to set general rules we consider necessary or expedient for advancing one or more of our operational objectives.

### Policy objectives

- 8.3** PS 6 in Appendix 1 sets out how we intend to use this power.
- 8.4** As PISCES will have similarities with an equity market MTF (see paragraph 4.6), we broadly intend to apply our Handbook requirements to a PISCES platform in the same way as they would apply to an MTF, with any targeted modifications or disapplication of certain requirements that we consider necessary. We also intend to retain existing Handbook terms, definitions, categorisations and requirements where possible.
- 8.5** We consider that to be a simple and proportionate starting point for the PISCES sandbox, which would provide market participants with familiarity, consistency and clarity on how our rules operate.

## General application of the Handbook and FCA guidance

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- 8.6** We propose that rules and guidance in the Handbook, in addition to other requirements, will apply as usual unless specifically modified under the sandbox arrangements.

- 8.7** We also propose a general guidance provision that, where modifications have been made to the application of an existing rule for PISCES, any guidance on that rule or provision should be read and applied considering the relevant modifications.

## Applying MAR (Market Conduct)

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### Applying MAR 5

- 8.8** Although PISCES platforms will operate as multilateral systems, they will not be trading venues as defined under MiFIR. This means that MAR 5 – the chapter of our Sourcebook that lays out key requirements for the operation of an MTF – will not apply to a PISCES platform unless its application is modified to do so.
- 8.9** Nevertheless, there will be notable similarities between a PISCES platform and an equity market MTF. So we propose to apply certain regulatory requirements in MAR 5 to all PISCES operators (whether they are an RIE or a firm).
- 8.10** Our approach to MAR 5 intends to ensure key features of the regulatory framework for MTFs – that support our 3 primary operational objectives – will remain in place for PISCES. Beyond these core provisions, we propose to modify MAR 5 to reflect that PISCES is intended to be a 'private-plus' market. See paragraphs 4.5 to 4.8 for further details.
- 8.11** The section below outlines the most substantive changes we propose to make as part of our modified application of MAR 5 to PISCES operators. This is not an exhaustive list – refer to PS 6 in Appendix 1 for the legal instrument setting out our full modified application of MAR 5.

### *Key points on the modified application of MAR 5*

#### **Trading process requirements:**

- 8.12** We propose to apply most requirements in MAR 5.3.1R – requirements on rules, procedures and arrangements for trading – unmodified. This is because we consider these obligations as core to ensuring our rules on PISCES meet our operational objectives.
- 8.13** However, we do not propose to apply MAR 5.3.1R(5) to a PISCES operator – 'a firm must have arrangements to provide, or be satisfied that there is access to, sufficient publicly available information to enable its users to form an investment judgement, taking into account both the nature of the users and the types of instrument traded'. This reflects feedback to the Treasury's consultation which identifies that the way in which information is disclosed in private markets is significantly different to how it is disclosed in public markets. Instead, we propose to apply a bespoke disclosure regime for PISCES, outlined in Chapter 3.

- 8.14** We propose to apply certain requirements of MAR 5.3.1AR, including requirements on risk management arrangements and the need for operators to hold sufficient financial resources. We do not propose to restrict PISCES operators' ability to execute orders against proprietary capital or engage in matched principal trading by applying MAR 5.3.1AR(4). This is because we want to allow flexibility in PISCES operators' business models on this more 'buyer beware' market.
- 8.15** We do not consider MAR 5.3.7R – requirements regarding the operation of a primary market in financial instruments that are not admitted to a regulated market – relevant as PISCES will only facilitate the secondary trading of shares. We do not consider MAR 5.3.8R – a requirement for transferrable securities traded without their issuers' consent – relevant as PISCES operators will not be able to admit a PISCES company's shares to trading without their consent.

***Systems and controls requirements:***

- 8.16** We propose to streamline our application of MAR 5.3A systems and controls requirements for PISCES. We intend to apply MAR 5.3A.1R and certain articles of MAR 5.3A.2R which we consider fundamental to ensuring PISCES operators' systems and controls are robust enough to enable fair and orderly trading.
- 8.17** However, as we do not expect significant volumes of low-latency algorithmic trading on PISCES or for PISCES shares to generally trade on multiple platforms, we do not consider it proportionate to apply the more detailed requirements in MAR 5.3A.2R(6) to MAR 5.3A.2R(10) to PISCES. Instead, we consider that the broader systems and controls requirements outlined above will be sufficient for running of a PISCES platform.
- 8.18** Additionally, as we expect limited use of low-latency algorithmic trading on PISCES, we do not think it is necessary to apply specific requirements on market making agreements, direct electronic access and co-location services (MAR 5.3A.3R, MAR 5.3A.4R, MAR 5.3A.9R, MAR 5.3A.10R or MAR 5.3A.13R).
- 8.19** We propose to retain the fundamental powers required in MAR 5.3A.5R (appropriately modified for PISCES) to ensure that PISCES operators can tackle disorderly markets. However, as PISCES platforms will only trade shares in companies that are not admitted to trading on a trading venue and our oversight of PISCES will be more limited than for public markets, we do not propose to apply the underlying rules – MAR 5.3A.6R to MAR 5.3A.8R.
- 8.20** We consider that MAR 5.3A.11R and MAR 5.3A.12R set requirements for fee structures that are most relevant for public markets. For instance, they set requirements to help mitigate the risk that widespread use of low-latency algorithmic trading systems will cause disorderly trading conditions. As above, we do not think such requirements are well-suited to the context of the PISCES market. Instead, we propose to only apply a modified version of MAR 5.3A.11R with bespoke fee structure rules for this new type of market.
- 8.21** As we consider that admitted PISCES shares will generally only trade on 1 PISCES platform, we do not think it would be proportionate to apply rules or guidance on tick sizes and clock synchronisation – MAR 5.3A.14R to MAR 5.3A.18G.

***Requirements on the finalisation of transactions:***

- 8.22** We propose to apply MAR 5.4.1R as we consider that all PISCES operators will need to ensure efficient settlement to enable fair and orderly trading.

***Requirements on operators' monitoring of compliance with their rules:***

- 8.23** We also propose to apply the core tenets of MAR 5.5.1R, and MAR 5.6.1R to MAR 5.6.3R, as we consider these are fundamental to a PISCES operator's role in protecting market integrity on its platform, and our operational objective to protect and enhance the integrity of the UK financial system. However, we propose to modify our application of MAR 5.5.1R and MAR 5.6.1R to reflect the fact that UK MAR will not directly apply to shares admitted to trading on a PISCES platform. See paragraph 5.5 for further detail.

***Requirements on the suspension and removal of financial instruments:***

- 8.24** We propose to apply MAR 5.6A.1R(1), modified for the context of intermittent trading, as we consider this a crucial rule which PISCES operators must abide by when considering whether to take disciplinary action. See paragraphs 4.106 to 4.118 for further detail.

***Requirements on pre- and post-trade transparency data – waivers and deferrals:***

- 8.25** We do not consider MAR 5.7.1AD to MAR 5.7.1DG relevant as we intend for there to be a bespoke transparency regime for PISCES. See paragraphs 4.67 to 4.71 for further detail.

***Requirements on the operation of an SME growth market:***

- 8.26** We do not consider MAR 5.10.1R to MAR 5.10.7R relevant as operators will not be able to run an SME growth market under the proposed PISCES regulatory framework.

***Rights of private action***

- 8.27** We propose that breaches of our modified application of MAR 5 for PISCES will not give rise to a right of action by a private person under s138D of FSMA 2000. A 'private person' broadly means an individual (excluding sole traders carrying on regulated activities) but could include a corporate (only where they are not carrying on business of any kind). This means that, if firms who are PISCES operators breach our modified MAR 5 rules, the fact that that breach occurred would not necessarily give a private person the ability to bring action for damages against the PISCES operator. However, they may still be able to bring a common law claim against the PISCES operator.
- 8.28** S138D of FSMA 2000 is not relevant for PISCES operators who are RIEs. This is because it only applies to rights of action in respect of authorised persons, and not exempt persons such as RIEs. Under s291 of FSMA 2000, RIEs have statutory immunity. This means they are not liable for anything done or omitted in the discharge of their regulatory functions unless it is shown that the act or omission was in bad faith or unlawful under the Human Rights Act 1998.



**8.29** We consider that our proposed approach reflects the fact that PISCES is a new type of market where the level of protection for investors will generally be lower than is currently available on public markets. It also reflects the fact that the government intends to establish a new PISCES disclosure liability regime which aims to establish a minimum consistent level of protection across investors participating on PISCES. For further details, see p.20 of the Treasury's Consultation Response. In this context, we do not think that we need to apply s138D of FSMA 2000 to provide PISCES investors with appropriate protection and routes for legal recourse.

### Applying MAR 5AA

- 8.30** UK MiFIR defines a multilateral system as 'any system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system'. This is complemented by a rule in MAR 5AA.1.1R of our Handbook, which requires that 'where a firm operates a multilateral system from an establishment in the UK it must operate it as an MTF or an OTF'.
- 8.31** Although PISCES platforms will be multilateral systems, the clear intent of the draft PISCES sandbox regulations is that they will not have to be operated as MTFs under the PISCES sandbox arrangements.
- 8.32** To align with the intention of the draft PISCES sandbox regulations, we intend to apply a modified version of Chapter MAR 5AA of our Handbook to firms operating a PISCES platform. Our proposed modifications would enable firms to also operate a multilateral system as a PISCES platform, within the PISCES sandbox only.
- 8.33** We do not propose to apply our modified version of MAR 5AA to RIEs as paragraph 9ZD of Schedule 1 to the RRRs (which are set by the Treasury) sets out the multilateral systems which an RIE is allowed to operate. Outside of the PISCES sandbox, an RIE must only operate a multilateral system as a regulated market, an MTF or an OTF. For the purposes of the PISCES sandbox only, the Treasury intend to modify paragraph 9ZD to also allow RIEs to also operate a multilateral system as a PISCES platform – see Part 2 of Schedule 1 to the draft PISCES sandbox regulations.

**Question 46:** Do you agree with the proposed approach to apply a modified version of MAR 5 to all PISCES operators? Y/N. Please give your reasons.

**Question 47:** Do you believe there are areas where the broader proposed PISCES regime may conflict with our proposed modified application of MAR 5? If so, please provide specific details of these areas.

**Question 48:** Do you agree with the proposed approach to apply a modified version of MAR 5AA to firms operating a PISCES platform? Y/N. Please give your reasons.

## Applying REC (Recognised Investment Exchanges)

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- 8.34** As outlined at paragraphs 4.9 to 4.10 above, RIEs that operate a PISCES platform will be subject to the RRRs (which are set by the Treasury), as well any accompanying rules and guidance in REC.
- 8.35** We propose to modify REC only where this is necessary as a consequential change resulting from changes made by the Treasury to the RRRs or the fact that UK MAR will not directly apply to shares admitted to trading on a PISCES platform.

### *Key points on the modified application of REC*

- 8.36** Where the Treasury modify the application of or disapply the RRRs for the purpose of the PISCES sandbox, we propose to modify or disapply our accompanying REC rules and guidance accordingly. The Treasury recently published their draft PISCES sandbox regulations, and Part 2 of Schedule 1 sets out indicative changes to the RRRs. Notably, the Treasury currently intend to disapply paragraphs 3E and 3H of Schedule 1 to the RRRs – provisions on fee structures and synchronisation of business clocks respectively. If the Treasury decide to disapply these provisions, we may need to modify our rules and guidance in REC 2.5 accordingly.
- 8.37** Beyond any consequential changes to our rules and guidance resulting from changes to the RRRs, we also propose to modify the application of REC 3.21.1R and REC 3.25.1R in connection with operating a PISCES platform. This will reflect that – under both the Treasury’s proposed legislative framework for PISCES and our proposed rules and guidance – UK MAR will not directly apply to shares admitted to trading on a PISCES platform and there will be no civil or criminal insider dealing regime on PISCES. This means that it would not be appropriate for us to ask PISCES operators to report evidence suggesting that persons have been engaged in market abuse, including insider dealing, to us. We will only require RIEs to notify us when they suspect a person on their platform of conduct that would be an offence under section 89 (Misleading statements) and section 90 (Misleading impressions) of the Financial Services Act 2012.
- 8.38** Similarly, for our guidance in REC, we propose to modify REC 2.6.28G, REC 2.10.3G and REC 2.13.3G to reflect that the Treasury do not intend for UK MAR to directly apply to shares admitted to trading on a PISCES platform. We propose to expect PISCES operators to have bespoke arrangements in place to prevent manipulative trading practices. See Chapter 5 for further detail.
- 8.39** We propose to add additional guidance to REC 2.12 – which references RIEs legislative requirements, under Paragraphs 4(2)(c) and 4(3) of Schedule 1 to the RRRs, to ensure that appropriate arrangements are made for relevant information to be made available to persons engaged in dealing in investments on the UK RIE. Our guidance will signpost our bespoke requirements for the disclosure of information in connection with a PISCES trading event. See Chapter 3 for more information on these requirements.

**8.40** We propose to modify the guidance in REC 2.15.4G to require RIEs to 'take reasonable steps to' consider and investigate complaints regarding its users (including PISCES companies) objectively, promptly and thoroughly. This modification is in line with our requirements for firms operating a PISCES platform – see PS 3.4.3G(1)(b) in Appendix 1. It reflects the fact that all PISCES operators' investigative and disciplinary powers are bound by their contractual arrangements with PISCES users.

**Question 49:** Do you agree with the proposed approach to modifying REC? Y/N. Please give your reasons.

**Question 50:** Do you believe there are other areas where the proposed PISCES regime may conflict with existing REC rules and guidance, requiring further amendment?

## Applying PRIN (Principles for Business)

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**8.41** We propose to apply the rules and guidance in PRIN to PISCES as they apply to an MTF.

**8.42** This proposal includes ensuring that transactions made under the rules governing PISCES between its members or participants, or between the PISCES operator and its members or participants, are treated in the same way as transactions concluded under the rules governing an MTF. In particular, the guidance in PRIN 4.1.4G for the application of PRIN 3.1.6R would apply.

## Applying SYSC (Senior Management Arrangements, Systems and Controls)

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**8.43** We propose to apply the rules and guidance in SYSC to PISCES as they apply to an MTF.

**8.44** The main purpose of this proposal is consistency. It will ensure that all authorised firms that operate a PISCES platform, including MiFID optional exempt firms, are treated as common platform firms irrespective of their regulatory status. These proposed provisions make no difference where a firm operating a PISCES platform would anyway be treated as a common platform firm. RIEs are subject to high level systems and controls requirements in the RRRs which the Treasury set.

## Applying MIFIDPRU (Prudential)

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**8.45** We propose that rules and guidance in MIFIDPRU apply to a PISCES platform as they apply to an MTF.

- 8.46** The main purpose of this proposal is to ensure that all firms that operate a PISCES platform are treated for prudential purposes, with respect to that activity, as if they have a part 4A permission for operating a multilateral trading facility, where that would otherwise not be the case. We consider the MTF baseline to be an appropriate starting point for the prudential regulation of PISCES operators that are authorised firms in the sandbox. RIEs are subject to high level prudential requirements in the RRRs which the Treasury set.
- 8.47** This proposal also means that MIFIDPRU also applies to UK parent entities and parent undertakings of such firms, even if it would otherwise not apply to them.

## Applying COBS (Conduct of Business)

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- 8.48** We propose that COBS 4.12A (promotion of restricted mass market investments) and COBS 10A (appropriateness) do not apply to PISCES. That is because we are proposing bespoke conduct rules which apply to the distribution of admitted PISCES shares, and relevant communications.
- 8.49** Subject to para 8.48, we propose that rules and guidance in COBS apply to a PISCES platform as they apply to an MTF.
- 8.50** This includes ensuring that transactions made under the rules for PISCES are treated in the same way as transactions made under the rules for an MTF. This means that the provisions in COBS 1 Annex 1R, which disapply certain COBS rules for these kinds of transactions, are also relevant in a PISCES platform context.

## Applying SUP (Supervision)

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- 8.51** In line with our general approach, we propose that rules and guidance in SUP apply to a PISCES platform as they apply to an MTF, other than SUP 17A (transaction reporting and supply of reference data). SUP 17A is not relevant to PISCES because of the amendment to MiFIR under the draft PISCES sandbox regulations.

## Applying COLL (Collective Investment Schemes)

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- 8.52** As set out in Appendix 2 we propose that amendments are made directly to the COLL sourcebook.
- 8.53** We propose that a UCITS scheme can invest in shares in a PISCES company only within the 10% limit for investing in transferable securities which are not approved securities. One consequence of this is that a UCITS scheme would not be permitted to hold a derivative referencing a share in a PISCES company.

**8.54** We also propose that a non-UCITS retail scheme can invest in shares in a PISCES company only within the 20% limit for investing in transferable securities which are not approved securities. There is no UCITS-equivalent rule for a NURS to prevent it investing in a derivative on a share in a PISCES company. We consider this acceptable given the broader investment policies of NURS compared to UCITS schemes.

**Question 51:** Do you agree with the proposed approaches to modifying PRIN, SYSC, MIFIDPRU, COBS, SUP and COLL? Y/N. Please give your reasons.

## The Financial Ombudsman Service

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**8.55** The Financial Ombudsman is an independent body set up by Parliament to resolve certain complaints between eligible complainants and financial services businesses.

**8.56** In our view, the protections afforded by the Financial Ombudsman should be available to investors in shares admitted to a PISCES platform in the same way, and to the same extent, as investors in shares generally. This would also require firms to report complaints under DISP 1 Annex 1 in the same way. In our view, no modifications are needed to DISP to achieve this outcome.

**Question 52:** Do you agree that the Financial Ombudsman's protections should be available to PISCES investors? Y/N. Please give your reasons.

**Question 53:** Do you agree that DISP does not need to be modified? Y/N. Please give your reasons.

## The Financial Services Compensation Scheme

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**8.57** The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for financial services. It steps in to protect consumers when authorised financial services providers are unable to meet civil claims against them. The FSCS plays a critical role in both protecting consumers and ensuring confidence in financial services markets.

**8.58** A number of conditions have to be met before the FSCS can pay compensation. FSCS is only able to provide protection when firms' actions or omissions result in harm to investors. This aspect is particularly important given the typically higher-risk nature of PISCES shares likely to be offered via trading intermediaries. If an intermediary has met its regulatory obligations on due diligence and disclosure of risk warnings to investors as clients, and any other applicable rules, investors using PISCES would probably not have recourse to FSCS at a later stage if that investment then performed badly.

**8.59** In our view, COMP, which contains the rules establishing and implementing the FSCS, should apply to operating a PISCES platform as they do to operating an MTF. To ensure consistent FSCS coverage we propose that the rules in COMP 5.5.1R and 6.2.2AR are modified so that they apply when an RIE is operating a PISCES platform as it does to an RIE operating an MTF. We do not consider any other amendments are necessary.

**Question 54:** Do you agree that the FSCS protections should apply to PISCES? Y/N. Please give your reasons.

**Question 55:** Do you agree with the proposed approach to modifying COMP? Y/N. Please give your reasons.

### Technical Standards

**8.60** Regulation 10(1) of the draft PISCES sandbox regulations specifies that, where we consider it necessary or expedient for operating and implementing the PISCES sandbox arrangements, we may modify the effect of any technical standards to do so. Exercising this power may include: disapplying technical standards for the purposes of the PISCES sandbox arrangements, modifying the application of the technical standards and applying technical standards, with or without modifications.

**8.61** As a result, we have reviewed technical standards that may be relevant to implementing the PISCES sandbox arrangements.

**8.62** We propose to disapply the requirement for transaction reporting for investment firms trading outside of the rules of a trading venue set out in Article 12 of Commission Delegated Regulation (EU) 2017/587. This is because, as noted at paragraph 5.2, the Treasury have confirmed that a transaction reporting regime for PISCES is not required.

**8.63** We do not consider it to be necessary to modify the effect of any other technical standards for implementing and operating the PISCES sandbox arrangements.

**Question 56:** Do you believe there are other areas where the proposed PISCES regime may conflict with existing technical standards, requiring further modifications? Y/N. Please give your reasons.

## Chapter 9

### Fees

- 9.1** This chapter outlines our proposed fees for PISCES operators. We cover our proposals for application fees (set out in Appendix 2) and a potential approach for periodic fees.

#### Introduction

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- 9.2** We are funded through fees that we collect from the firms authorised or registered with us. We charge both application and periodic (annual) fees.
- 9.3** When we set up a new regulatory regime, we have to recover the costs we incur to set up, establish, and implement the regime, as well as the ongoing annual supervisory costs. In this chapter we:
- Consult on the application fee we propose to charge firms which apply to become a PISCES operator; and
  - Set out for discussion our approach to charging periodic fees for PISCES operators.

#### Application fee

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- 9.4** Our fee rules (FEES 3.2.5G) require firms to pay a fee in order to submit their application. An application is not treated as complete without the appropriate fee. This provision ensures that there are no misunderstandings about when a firm has submitted its final application.
- 9.5** To keep the structure of application fees simple, we fit our charges into a set of 10 standard pricing categories, currently ranging from £270 to £217,500. We uprate these fees each year, so that they are not eroded by inflation, which would result in a disproportionate balance being passed across to existing fee-payers.
- 9.6** Firms which apply to operate a PISCES will be required to provide us with similar information as firms which apply to operate an MTF or OTF. We charge MTFs and OTFs a Category 8 charge of £54,380. However, as prospective PISCES operators must already be authorised by us, we will have existing information about them. Accordingly, we consider that a Category 6 charge (currently £10,880) would represent a reasonable contribution towards our processing costs without constituting a barrier to market entry.
- 9.7** Any firm applying to be a PISCES operator and enter the sandbox would need to pay this application fee. We do not propose that firms would pay another application fee at the end of the sandbox to enter the permanent regime. If they exit the sandbox, their fees paid would not be reimbursed.

- 9.8** We will set the application fee to take effect when we introduce the final rules for the PISCES sandbox.

**Question 57: Do you have any comments on our proposal to charge a Category 6 fee (currently £10,880) for applications to operate a PISCES?**

### **Approach to periodic fee**

- 9.9** We recover our project costs and ongoing supervisory costs through periodic fees. Once authorised, firms pay periodic fees within fee-blocks which group together firms with similar permissions. Since we expect the activity of operating a PISCES platform to be comparable to operating a RIE, MTF or OTF, we propose to put PISCES operators into a new B fee-block (Market Infrastructure Providers), alongside these activities. PISCES operators will also continue to pay fees in their current fee-blocks as RIEs, operators of MTFs or OTFs, etc.
- 9.10** We are not expecting PISCES operators to enter the Sandbox until mid-2025, so we will start charging periodic fees the following year – 2026/27.
- 9.11** We will discuss possible approaches to periodic fees in our pre-application discussion sessions we will be running with interested PISCES applicants over the coming months, with a view to consulting on the structure of the new PISCES fee-block in our annual fees policy CP in November 2025. We intend to quote an indicative fee-rate in that CP to help firms with their business planning, and we will consult on the final rate in April 2026, as part of our wider consultation on our fee-rates.



## Annex 1

### Questions in this paper

- Question 1:** Do you agree with the proposed approach to disclosures? Y/N. Please give your reasons.
- Question 2:** Do you agree with the proposed approach for only requiring trading intentions from directors in PISCES companies? Y/N. Please give your reasons.
- Question 3:** Do you agree with the proposed 10% threshold for identifying major shareholders? Y/N. Please give your reasons.
- Question 4:** Do you agree with the proposed approach for PISCES operators to specify their own arrangements for identifying major shareholders rather than using the PSC Register? Y/N. Please give your reasons.
- Question 5:** Do you agree with our proposed approach to sustainability related disclosures? Y/N. Please give your reasons.
- Question 6:** Do you agree with the proposed information included on the core information list? Y/N. Please give your reasons.
- Question 7:** Do you agree with the proposed approach to set out options for the disclosure of additional information? Y/N. Please give your reasons.
- Question 8:** Do you agree with the proposed options and related guidance for each option described above? Y/N. Please give your reasons.
- Question 9:** Do you prefer the alternative approach of mandating a sweeper arrangement, to disclose supplementary information? Y/N. Please give your reasons.
- Question 10:** If you have answered Yes to Q9, do you agree with our proposal for the mandatory sweeper arrangement? Y/N. Please give your reasons.
- Question 11:** Do you agree with our proposed approach for rules on legitimate omissions of PISCES core disclosure information? Y/N. Please give your reasons.

- Question 12:** Do you agree with our proposed approach for correcting and amending information? Y/N. Please give your reasons
- Question 13:** Do you agree with our proposed approach on the availability and timing of disclosures? Y/N. Please give your reasons.
- Question 14:** Do you agree with our proposed approach for the formatting of disclosures? Y/N. Please give your reasons.
- Question 15:** Do you agree with our proposed approach to post-trade disclosures? Y/N. Please give your reasons.
- Question 16:** Are there any other post-trade disclosures that should be required? Y/N. Please give your reasons.
- Question 17:** Do you agree with the information we have specified as forward-looking statements in the core disclosure information? Y/N. Please give your reasons.
- Question 18:** Do you agree with the proposed approach for PISCES operators to monitor the compliance of PISCES company disclosures against their rules? Y/N. Please give your reasons.
- Question 19:** Do you agree with the proposed approach to the technical requirements for disclosure arrangements? Y/N. Please give your reasons.
- Question 20:** Do you agree with the proposed approach that, where an ask-model is applied, PISCES operators' disclosure arrangements must enable investors to submit information requests to companies as part of those arrangements? Y/N. Please give your reasons.
- Question 21:** Do you agree with the proposed approach to price parameters? Y/N. Please give your reasons.
- Question 22:** Do you agree with the proposed approach to PISCES permissioned trading events? Y/N. Please give your reasons.
- Question 23:** Do you agree with the proposed approach to public trading event notifications? Y/N. Please give your reasons.
- Question 24:** Do you agree with the proposed approach to PISCES pre- and post-trade transparency data – including the required data and the dissemination and record-keeping of transparency data? Y/N. Please give your reasons.

- Question 25:** Do you agree with the proposed approach to PISCES operators' complaints procedures? Y/N. Please give your reasons.
- Question 26:** Do you agree with the proposed approach that a PISCES operator's rules must enable it to refuse or cancel admission if it has serious grounds to conclude that a PISCES company is not, or is no longer, willing or able to comply with its rules? Y/N. Please give your reasons.
- Question 27:** Do you agree with the proposed approach to the powers a PISCES operator must have to postpone, suspend and terminate PISCES trading events? Y/N. Please give your reasons.
- Question 28:** Do you have any further comments on our general approach to PISCES operators' disciplinary arrangements?
- Question 29:** Do you agree with our framing of risks in our proposed PISCES Market Risk Warning? Y/N. Please give your reasons.
- Question 30:** Do you agree with our overall proposed approach to the PISCES Market Risk Warning? Y/N. Please give your reasons.
- Question 31:** Do you agree with the proposed approach to manipulative trading practices as described above? Y/N. Please give your reasons.
- Question 32:** Do you agree with the proposed approach to monitoring arrangements? Y/N. Please give your reasons.
- Question 33:** Do you agree with the proposed approach to notification requirements? Y/N. Please give your reasons.
- Question 34:** Do you agree with the proposed approach to record keeping requirements? Y/N. Please give your reasons.
- Question 35:** Do you agree with the proposed guidance for intermediaries on market manipulation? Y/N. Please give your reasons.
- Question 36:** Do you have any comments on the above draft proposals?
- Question 37:** Do you agree with our proposal to ban incentives to invest in PISCES shares?

- Question 38:** Do you agree with our proposed requirements for risk warnings and the proposed risk warnings, as outlined in paragraphs 7.29 to 7.40?
- Question 39:** Do you agree with our proposed rule to require intermediaries to establish that an individual retail investor is a 'PISCES investor' before distributing a PISCES share? If not, why not?
- Question 40:** Do you agree with our other proposed rules and guidance on the relevant retail PISCES investor categories? If not, why not?
- Question 41:** Do you agree with our proposal to impose a requirement for employees that are not high net worth or sophisticated investors to sign a restricted investor statement?
- Question 42:** Do you agree with our proposal that a firm can only distribute a PISCES share once it has assessed its appropriateness for the retail client? Do you agree with the proposed appropriateness test guidance?
- Question 43:** Do you agree that there should be a 24-hour cooling off period for new retail clients before placing a first order for a PISCES share?
- Question 44:** Do you agree with the proposed record keeping requirements for intermediaries regarding financial promotions for PISCES shares?
- Question 45:** Do you consider we should implement any other promotion and/or distribution requirements on intermediaries, in addition to what is set out in this chapter, which seek to protect retail investors? If so, what other requirements should we implement?
- Question 46:** Do you agree with the proposed approach to apply a modified version of MAR 5 to all PISCES operators? Y/N. Please give your reasons.
- Question 47:** Do you believe there are areas where the broader proposed PISCES regime may conflict with our proposed modified application of MAR 5? If so, please provide specific details of these areas.
- Question 48:** Do you agree with the proposed approach to apply a modified version of MAR 5AA to firms operating a PISCES platform? Y/N. Please give your reasons.
- Question 49:** Do you agree with the proposed approach to modifying REC? Y/N. Please give your reasons.

- Question 50:** Do you believe there are other areas where the proposed PISCES regime may conflict with existing REC rules and guidance, requiring further amendment?
- Question 51:** Do you agree with the proposed approaches to modifying PRIN, SYSC, MIFIDPRU, COBS, SUP and COLL? Y/N. Please give your reasons.
- Question 52:** Do you agree that the Financial Ombudsman's protections should be available to PISCES investors? Y/N. Please give your reasons.
- Question 53:** Do you agree that DISP does not need to be modified? Y/N. Please give your reasons.
- Question 54:** Do you agree that the FSCS protections should apply to PISCES? Y/N. Please give your reasons.
- Question 55:** Do you agree with the proposed approach to modifying COMP? Y/N. Please give your reasons.
- Question 56:** Do you believe there are other areas where the proposed PISCES regime may conflict with existing technical standards, requiring further modifications? Y/N. Please give your reasons.
- Question 57:** Do you have any comments on our proposal to charge a Category 6 fee (currently £10,880) for applications to operate a PISCES?

## Annex 2

# Compatibility statement

## Compliance with legal requirements

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1. This Annex records the FCA's compliance with a number of legal requirements that apply to the proposals in this consultation. These include an explanation of our reasons for concluding that these proposals are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA), as modified and applicable to the FMI sandbox for PISCES.
2. When consulting on new rules, section 138I(2)(d) FSMA requires us to include an explanation of why we believe making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. We are also required by s 138K(2) FSMA to give our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (including rulemaking) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.
4. This Annex also explains how we have considered the recommendations made by the Treasury under s 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. We started and completed the development of the policy content in this consultation before 15 November 2024. This was before the Treasury issued a new set of recommendations about aspects of the government's policy to which we should have regard in a remit letter under section 1JA FSMA 2000. We acknowledged the new remit letter, and our initial view is that the intended effects of the proposal are in line with the new recommendations. However, we will consider this matter further and have regard to the new remit letter when finalising and making the rules.
6. This Annex includes our assessment of the equality and diversity implications of these proposals.

7. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' when exercising some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

## The FCA's objectives and regulatory principles: Compatibility statement

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8. We consider the proposals are compatible with the FCA's strategic objective of ensuring relevant markets function well. The proposals will form part of FMI sandbox arrangements intended to test whether a PISCES platform will improve the efficiency and effectiveness of markets for trading shares in companies that would not otherwise be admitted to trading. The specific requirements proposed in this consultation are designed to support this objective while maintaining flexibility to test various business models in the sandbox environment. In developing our proposals, we have considered the likely participants and the characteristics of a PISCES platform.
9. The proposals in this consultation are also intended to advance our operational objective of enhancing market integrity by ensuring markets are effective, efficient and reliable. They aim to achieve this by supporting market efficiency and effective competition to further the UK financial system's soundness, stability and resilience. They will also provide an orderly operation of financial markets and protect against financial crime by ensuring that PISCES operators and firms carrying on activities involving PISCES shares meet appropriate standards. The proposals also support proportionate consumer protection when balancing the risks with supporting innovation and growth in the UK.
10. This approach will also support the connectedness between UK private and public markets by enabling established public market infrastructure and investor access for the benefit of private companies and their shareholders. We consider strong participation in the PISCES sandbox to be important if the benefits of PISCES are to be realised.
11. These proposals will contribute to strengthening the UK's position as a global centre for financial services and for capital. They do this by supporting innovation in FMIs and reinvigorating capital markets while maintaining appropriately high standards of market integrity and consumer protection relative to the risks of this market.
12. The Consumer Duty applies across retail financial services and sets higher and clearer standards of consumer protection. It requires firms to focus on delivering good customer outcomes. The Duty will apply to PISCES for a firm's retail market business or where a firm communicates or approves financial promotions for communication to retail customers. Where the Duty applies, we expect firms to be able to identify, monitor, evidence through data and stand behind the outcomes their customers experience.

13. Our proposals serve to advance our secondary international competitiveness and growth objective by ensuring the UK is attractive to international capital and growth companies, enabling investment in productive UK assets and scale-up companies, and giving investors with earlier access to UK growth companies. Our adoption of a proportionate regulatory approach supports our secondary international competitiveness and growth objective by enabling regulatory costs on firms to be proportionate.
14. We also aim to foster innovation by providing a flexible regulatory framework for the PISCES sandbox. This approach will enable different operator models to be tested and help to promote competition and efficiency gains for participants, including eligible consumers. As such, PISCES will help the UK to play a leading role in facilitating growth in international private markets. The accompanying guidance and future pre-application engagements with prospective PISCES operators will also ensure firms are clear about how they can apply to participate in the PISCES sandbox, the expectations placed on them once they have entered and how our objectives can be achieved. This should give firms the confidence to participate in the PISCES sandbox and contribute towards increasing trust in, and the reputation of, UK financial markets. This can in turn make the UK more internationally competitive.
15. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s 3B FSMA. Our proposals are not generally aimed at achieving specific sustainability outcomes, but we recognise that sustainability factors or characteristics may be important to a PISCES company's business model. So we have included a disclosure requirement that companies should meet where sustainability characteristics are material to a given PISCES company.

### **The need to use our resources in the most efficient and economical way**

16. Where possible, we have sought to use existing systems and processes, and to apply relevant aspects of the Handbook using existing and familiar terms, definitions, categorisations and requirements. Our proposal to apply core parts of the Handbook to PISCES as if they are MTFs is intended to be a simple and straightforward approach to the existing Handbook.

### **The principle that a burden or restriction should be proportionate to the benefits**

17. We have chosen to apply, and only modify where necessary, the existing framework governing an MTF's operation, as this adequately accounts for risks from firms' activity in the PISCES sandbox. We have retained existing Handbook terms, definitions, categorisations and requirements where possible. We are also consulting on limited proposals to amend existing rules in connection with the PISCES sandbox. We have sought to strike an appropriate balance between incentivising operator, company, and investor participation with appropriate protections.



- 18.** We have chosen a flexible, less prescriptive, approach to PISCES company disclosures, by providing PISCES operators with some choice on their associated disclosure rules and arrangements. We have also sought to set out our expectations of PISCES operators' monitoring obligations in a proportionate way that enables them to take a risk-based approach when fulfilling these obligations.
- 19.** More broadly, our proposals do not apply the same standards to PISCES as currently exist in public markets. PISCES will instead be treated as a 'private-plus' market, meaning we are building on private market practices and risk tolerances rather than using public market standards as a starting point for designing the regulatory PISCES framework. This approach inherently seeks to minimise burdens or restrictions for participants, while ensuring regulatory requirements remain proportionate to the benefits.

### **The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets).**

- 20.** We have considered the environmental, social and governance implications of these proposals and its duty under section 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021. Overall, we do not consider the proposals are relevant to contributing to those targets. We will keep this issue under review during the consultation period.

### **The general principle that consumers should take responsibility for their decisions**

- 21.** We believe these proposals will enable consumer understanding of the features and risks of PISCES shares to help them to make informed decisions, which in turn enables them to take responsibility for their decisions. We note that PISCES investor access restrictions do not permit mass-market retail participation. Eligible retail investors trading on PISCES must understand their investments cannot be redeemed on demand. There may not be regular opportunities to exit their positions, and no guarantee there will be future liquidity within their price tolerance. We view these risks as broadly comparable to investing on equity crowdfunding platforms. We propose to apply protections that are similar in policy intent to those that currently apply for other types of high-risk investments, for PISCES. We also propose that the Financial Ombudsman and FSCS regimes cover regulated activities undertaken in the PISCES sandbox.

### **The responsibilities of senior management**

- 22.** Our proposals do not specifically relate to the responsibilities of senior management. As above, we are maintaining the existing senior manager framework that governs the operation of an MTF and so do not consider this to be relevant to our proposals.

### **The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

23. We do not expect these proposals to have a significantly different impact on mutual societies, nor on any other specific kind of business organisation.

### **The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information**

24. We are maintaining our existing approach to supervision and enforcement and therefore do not consider this to be relevant to our proposals.

### **The principle that we should exercise of our functions as transparently as possible**

25. This consultation sets out our proposals to implement and operate the PISCES sandbox. We will consider any feedback before publishing our final rules for PISCES and opening the PISCES sandbox for applications. We believe this a transparent approach, given Treasury has indicated that we will not be required to consult on rules for the sandbox.
26. In developing these proposals, we have had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by section 1B(5)(b) FSMA). However, we do not believe these proposals create any new risks in this regard.
27. We have had regard to our duty to promote effective competition in the interests of consumers. We consider that by enabling the use of new practices and business models we are promoting such competition.
28. We have considered the equality and diversity issues that may arise from the proposals in this consultation paper. We do not consider the proposals to have any equalities impacts for persons who share a protected characteristic.
29. We have had regard to the principles in the LRA 2006 for the parts of the proposals that consist of general policies, principles or guidance. We consider that we are providing for regulatory activities to be carried out in a way that is transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed.
30. Finally, we have had regard to the Regulators' Code and consider our proposals to be compatible. The proposed approach to implement and operate the PISCES sandbox is intended to allow for those regulated and approved by us to comply and grow, while the approach to the supervision of sandbox entrants will provide for us to monitor compliance and risk as appropriate.

## Annex 3

# Abbreviations used in this paper

<b>Abbreviation</b>	<b>Description</b>
<b>AML</b>	Anti-money laundering
<b>CBA</b>	Cost benefit analysis
<b>COBS</b>	Conduct of Business sourcebook
<b>COLL</b>	Collective Investment Schemes sourcebook
<b>COMP</b>	Compensation sourcebook
<b>DISP</b>	Dispute Resolution sourcebook
<b>DTR</b>	Disclosure Guidance and Transparency Rules sourcebook
<b>ESG</b>	Environmental, social and governance
<b>FCA</b>	Financial Conduct Authority
<b>FEES</b>	Fees Manual
<b>FMI</b>	Financial market infrastructure
<b>FPO</b>	Financial Promotion Order
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>IPO</b>	Initial public offering
<b>KYC</b>	Know your customer
<b>MAR</b>	Market Conduct sourcebook
<b>MIFIDPRU</b>	Prudential sourcebook for MiFID Investment Firms
<b>MTF</b>	Multilateral trading facility
<b>NRRS</b>	Non-readily realisable securities

<b>Abbreviation</b>	<b>Description</b>
<b>NURS</b>	Non-UCITS retail scheme
<b>OTF</b>	Organised trading facility
<b>PERG</b>	The Perimeter Guidance Manual
<b>PIP</b>	Primary information provider
<b>PISCES</b>	Private Intermittent Securities and Capital Exchange System
<b>POATR</b>	Public Offers and Admission to Trading Regulations
<b>PRIN</b>	Principles for Businesses
<b>PS</b>	Draft PISCES Sourcebook Instrument
<b>PSC</b>	People with significant control
<b>REC</b>	Recognised Investment Exchanges sourcebook
<b>RIE</b>	Recognised investment exchange
<b>RMMI</b>	Restricted mass market investments
<b>RRR</b>	Recognition Requirement Regulations
<b>SI</b>	Statutory Instrument
<b>SME</b>	Small and medium-sized enterprises
<b>SUP</b>	Supervision sourcebook
<b>SYSC</b>	Senior Management Arrangements, Systems and Controls sourcebook
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities
<b>UK</b>	United Kingdom
<b>UK MAR</b>	UK Market Abuse Regulation
<b>UK MIFID</b>	UK Markets in Financial Instruments Directive
<b>UK MIFIR</b>	UK Markets in Financial Instruments Regulation

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## Appendix 1

# Draft PISCES Sourcebook Instrument

**PRIVATE INTERMITTENT SECURITIES AND CAPITAL EXCHANGE SYSTEM  
(PISCES) INSTRUMENT 2025**

**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137T (General supplementary powers); and
    - (b) section 139A (Power of the FCA to give guidance);
  - (2) regulation 9 (Making of FCA rules) of the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025; and
  - (3) regulation 10 (Modification of technical standards) of the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025.
- [*Editor’s note:* The statutory instrument referred to in (2) and (3) was published in draft by HM Treasury in November 2024. This FCA instrument will only be made once the statutory instrument has been made. The rules and guidance in this FCA instrument have been drafted on the assumption that the statutory instrument will come into force in substantially the same form as the published draft.]
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on [*date*].

**Making the Pisces sourcebook (PS)**

- D. The FCA makes the rules and gives the guidance in accordance with the Annex to this instrument.

**Notes**

- E. In the Annexes to this instrument, the notes (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- F. This instrument may be cited as the Private Intermittent Securities and Capital Exchange System (Pisces) Instrument 2025.

By order of the Board  
[*date*]



## Annex

### Pisces sourcebook (PS)

In this Annex, all the text is new and is not underlined.

[*Editor's notes:*

- (1) This draft sourcebook is based on draft Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025, which were published in November 2024. Any discrepancies in references to the regulations when they are made will be addressed and the text confirmed in the final version of this instrument.
- (2) The terms that are defined in PS App 1 are italicised in this Annex for the convenience of the reader. Existing terms that are already defined in the Handbook Glossary of definitions are also italicised.]

## 1 Introduction

### 1.1 Application and purpose

#### Application

#### 1.1.1 G PS applies as follows:

- (1) *PS 1 is relevant to applicants for a Pisces approval notice under the Pisces sandbox regulations and any person seeking to understand the FCA's functions under the Pisces sandbox arrangements;*
- (2) *PS 2 applies to a Pisces operator and a person applying to be a Pisces operator. It also sets out what is a 'core disclosure' and a 'forward looking statement' for the purposes of the Pisces sandbox regulations;*
- (3) *PS 3 applies to a Pisces operator and investment firms to whom Article 12 of Commission Delegated Regulation (EU) 2017/587 (as amended or replaced) applies;*
- (4) *PS 4 applies to a Pisces operator, a person applying to be a Pisces operator and firms carrying on regulated activities in connection with a Pisces. It is also relevant to any person seeking to understand how the Market Abuse Regulation applies to admitted Pisces shares;*
- (5) *in broad terms, PS 5 applies to firms communicating a financial promotion or approving a financial promotion for communication in relation to an admitted Pisces share, or distributing an admitted Pisces share in either case to a retail client that is an individual;*

- (6) *PS 6* is relevant to anyone seeking to understand how the *Handbook* applies, and how the application of the *Handbook* has been modified, under the *Pisces sandbox arrangements*; and
- (7) *PS App 1* sets out the definitions that are used in this sourcebook in addition to those set out in in the *Glossary*.

#### Purpose

- 1.1.2 G The purpose of *PS* is to:
- (1) set out the new requirements that apply to *Pisces operators* and *firms* when carrying on activities under the *Pisces sandbox arrangements*;
  - (2) give *guidance* on some of the key existing requirements that apply in connection with operating a *Pisces*; and
  - (3) modify the application of the *Handbook* for the purposes of the *Pisces sandbox arrangements*.

#### Amendments to the Handbook for the purposes of the Pisces sandbox arrangements

- 1.1.3 G In addition to *PS*, the following parts of the *Handbook* have been directly amended for the purposes of the *Pisces sandbox arrangements*:
- (1) *COLL 5.2* and *COLL 5.6*;
  - (2) *FEES 3 Annex 1R*; and
  - (3) the *Glossary* for the amendments to *COLL* and *FEES*.

#### Arrangement of the Pisces sourcebook

- 1.1.4 G *PS* is arranged as follows:
- (1) *PS 1* sets out *rules* and *guidance* concerning the scope and administration of the *Pisces sandbox arrangements* and the interpretation of *PS*;
  - (2) *PS 2* sets out *rules* and *guidance* applicable to a *Pisces operator* relating to the *Pisces disclosure arrangements* they need to put in place in connection with *Pisces trading events* and also sets out what is a ‘core disclosure’ and a ‘forward looking statement’ for the purposes of the *Pisces sandbox regulations*;
  - (3) *PS 3* sets out further *rules* and *guidance* that apply to a *Pisces operator* when operating a *Pisces*;
  - (4) *PS 4* sets out:

- (a) *rules and guidance* concerning the role of a *Pisces operator* and other *firms* in preventing and detecting manipulative market practices occurring on a *Pisces*; and
  - (b) *guidance* on the application of the *Market Abuse Regulation* in connection with *admitted Pisces shares*;
- (5) *PS 5* sets out *rules and guidance* for *firms* in connection with *communicating a financial promotion* or *approving a financial promotion* for *communication* in relation to an *admitted Pisces share*, or distributing an *admitted Pisces share*, in either case to *retail clients* who are individuals;
- (6) *PS 6* gives *guidance* on the application of the *Handbook* under the *Pisces sandbox arrangements* and makes *rules* modifying the application of the *Handbook* for the purposes of these arrangements; and
- (7) *PS App 1* sets out new defined terms used for the purposes of *PS*.

## 1.2 Regulatory status of a Pisces under the Pisces sandbox arrangements

- 1.2.1 G (1) A *Pisces* is defined in regulation 3(2) of the *Pisces sandbox regulations* as a multilateral system which, among other things:
- (a) is a trading system for the intermittent trading of admitted *Pisces shares*;
  - (b) brings together multiple buying and selling interests in issued shares of *Pisces companies*, in the system and in accordance with non-discretionary rules, in a way which results in a contract; and
  - (c) allows a *Pisces company* to determine at least one of the following in respect of the trading of its admitted *Pisces shares*:
    - (i) when the shares may be traded;
    - (ii) who is allowed to buy the shares;
    - (iii) restrictions on the trading of the shares, including restrictions requiring a minimum or a maximum price; and
    - (iv) the persons or categories of person who may receive the information about the company or transactions in its shares.
- (2) As a non-discretionary *multilateral system*, a *Pisces* would ordinarily need to be operated as a form of *trading venue* – in particular, an *MTF*

or *regulated market* in accordance with MAR 5AA.1.1R and paragraph 9ZD of the Schedule to *Recognition Requirements Regulations*.

- (3) However, Part 3 of Schedule 1 to the *Pisces sandbox regulations* modifies the application of *MiFIR* so that a *Pisces* subject to approval under regulation 6 of those regulations is excluded from the definition of *MTF* and is therefore not treated as a form of *trading venue* under the *Pisces sandbox arrangements*.
- (4) Consistent with this, MAR 5AA and paragraph 9ZD of the Schedule to *Recognition Requirements Regulations* are modified in PS 6 and Schedule 1 to the *Pisces sandbox regulations*, respectively, to enable a *firm* or *UK RIE* to operate a *multilateral system* as a *Pisces*.
- (5) Accordingly, in terms of *regulated activities*, rather than *operating a multilateral trading facility*, the *regulated activities* being carried on when operating a *Pisces* under the *Pisces sandbox regulations* will instead include *arranging (bringing about) deals in investments* in respect of *shares* and might also include *making arrangements with a view to transactions in investments* that are *shares*.
- (6) Unless the applicant is a *UK RIE* and operating its *Pisces* falls within the exemption in section 285(2) of the *Act*, a *person* will not be granted a *Pisces approval notice* unless it has the correct *permissions* for the *regulated activities* involved in operating a *Pisces* under the *Pisces sandbox regulations*.
- (7) Also, in view of the above, *shares* admitted to a *Pisces* subject to approval under regulation 6 of the *Pisces sandbox regulations* are not treated under the *Pisces sandbox arrangements* as if they are admitted to an *MTF*. One consequence of this is that such *shares* will not, by virtue of their admission to a *Pisces* alone, be within the scope of the *Market Abuse Regulation* – see PS 3.
- (8) Notwithstanding this, many of the requirements that apply with respect to the operation of an *MTF* are also appropriate for the operation of a *Pisces*. In this regard, PS 6 in particular applies a number of the provisions of MAR 5 to *Pisces operators*.

### 1.3 Applying to the Pisces sandbox

Who may apply to the Pisces sandbox

- 1.3.1 G Under regulation 3(4) of the *Pisces sandbox regulations*, the following may apply to the *FCA* to operate a *Pisces*:
  - (1) a *UK RIE*; or
  - (2) a *person* who is established in the *UK* and has a *permission* for:
    - (a) *arranging (bringing about) deals in investments*;

(b) *operating a multilateral trading facility; or*

(c) *operating an organised trading facility.*

- 1.3.2 G For these purposes, ‘established in the *UK*’ means constituted under the law of any part of the *United Kingdom* and having, for the duration of the *Pisces sandbox arrangements*, a registered office or a head office in the *United Kingdom* (regulation 2 of the *Pisces sandbox regulations*).

#### How to apply to operate a Pisces under the Pisces sandbox arrangements

- 1.3.3 G An application to operate a *Pisces* under the *Pisces sandbox arrangements* must be made to the *FCA*.
- 1.3.4 G The detailed information required to be set out in an application is set out in [*Editor’s note: details to be confirmed*].
- 1.3.5 R An application must also contain any waivers or modifications that the applicant considers appropriate (see *PS 1.5*).
- 1.3.6 G See also:
- (1) *PS 2.2.11R* for specific provisions on what is required in an application with respect to *Pisces disclosure arrangements*; and
  - (2) *PS 4.5* for specific provisions on what is required in an application with respect to the prevention and detection of manipulative market practices.

#### Requests for further information

- 1.3.7 G Where the *FCA* considers the information in the application to be insufficient or unsatisfactory, it may require further information under regulation 5(2)(b) of the *Pisces sandbox regulations*.

#### Determining an application

- 1.3.8 G (1) The *FCA* may:
- (a) approve the application;
  - (b) approve the application, but:
    - (i) with a description of the activities that is narrower or wider than the description specified in the application; or
    - (ii) with such conditions, limitations or restrictions as the *FCA* considers appropriate; or
  - (c) reject the application.

- (2) Where the *FCA* approves an application, it will give an applicant written notice (a *Pisces approval notice (PAN)*), including any conditions, limitations or restrictions it considered appropriate to attach to the *PAN*.
- 1.3.9 G The *FCA* has a broad discretion in considering applications under the *Pisces sandbox arrangements*, but it will not approve an application made by an eligible applicant unless it is satisfied that:
- (1) the operational model being proposed to operate in the sandbox meets the definition of a *Pisces* and is within the scope of the *Pisces sandbox arrangements*;
  - (2) the applicant has the correct *permissions* or benefits from an appropriate exemption;
  - (3) the *Pisces operator* has comprehensively assessed and understood the risks that may arise in relation to the operation of its *Pisces* and put in place appropriate mitigating steps; and
  - (4) the *Pisces operator* can clearly demonstrate that it is ready, willing and able to comply with the requirements that apply to it.
- 1.3.10 G In terms of *PS 1.3.9G(1)*, a core element of the definition of a *Pisces* is that *Pisces trading events* for a particular *admitted Pisces share* are held intermittently. Regulation 2 of the *Pisces sandbox regulations* defines ‘intermittent’ as meaning ‘occasional, not frequent and of limited duration’. In the *FCA*’s view, this means that trading periods are held, for example, monthly, quarterly, annually or on an ad hoc basis, and must be aligned to the purpose of a *Pisces* of concentrating liquidity in, and facilitating the effective price discovery of, *shares in companies* that are not otherwise traded on a *multilateral system*.
- 1.3.11 G The *FCA* will also have regard, in general terms, to the following when considering an application under the *Pisces sandbox regulations*:
- (1) whether approving the application would be consistent with advancing its operational objectives; and
  - (2) the supervisory and enforcement record of the applicant, including whether it has dealt with the *FCA* in an open and cooperative way.

#### **1.4 Applying to modify a *Pisces* approval notice**

- 1.4.1 G A *Pisces operator* may apply to the *FCA* for the modification, suspension or cancellation of its *Pisces approval notice*, in which case *PS 1.3* applies with the necessary modifications to that application as they apply to an application for approval to operate a *Pisces*.

#### **1.5 Waiving or modifying rules**

- 1.5.1 G (1) The *FCA* may, by direction, waive or modify a *rule* so as:
- (a) not to apply to a *person* or a description of a *person*; or
  - (b) to apply to a *person* but with such modifications as the *FCA* may specify.

[**Note:** Regulation 9(7) of the *Pisces sandbox regulations*]

- (2) A waiver or modification may be given subject to conditions.
  - (3) The *FCA* may revoke or modify a waiver or modification.
- 1.5.2 R (1) An application to the *FCA* to waive or modify a *rule* must be in writing.
- (2) The application must:
    - (a) contain a clear explanation of why the waiver or modification is requested;
    - (b) include details of any special requirements, such as the date by which the waiver or modification is required;
    - (c) contain all relevant information that should reasonably be brought to the *FCA*'s attention; and
    - (d) include copies of any documents relevant to the application.

1.5.3 R The *FCA* may also waive or modify the application of *rules* on its own initiative.

1.5.4 R A *person* who has applied for or been granted a waiver or modification must notify the *FCA* immediately if it becomes aware of any matter which could affect the continuing relevance or appropriateness of the application or waiver.

1.5.5 G The *FCA* must publish details of any waivers made under regulation 9(7) of the *Pisces sandbox regulations* that are issued in conjunction with a *Pisces approval notice*.

## 1.6 The *FCA*'s supervisory powers under the *Pisces sandbox arrangements*

- 1.6.1 G In the course of supervising *Pisces operators* under the *Pisces sandbox arrangements* the *FCA* may, under regulation 11 of the *Pisces sandbox regulations* and without prejudice to its other relevant powers, direct a *Pisces operator* to:
- (1) provide specified information or documents; or
  - (2) engage or cease engaging in a particular activity in connection with the *Pisces sandbox arrangements*.

- 1.6.2 G Under regulation 13 of the *Pisces sandbox regulations*, the *FCA* may also, on its own initiative:
- (1) cancel a *Pisces approval notice (PAN)*;
  - (2) suspend a *PAN*; or
  - (3) modify a *PAN*, including by imposing conditions, limitations or restrictions as it considers appropriate.
- 1.6.3 G The *FCA* may exercise these powers under the *Pisces sandbox regulations* if:
- (1) a *Pisces operator* breaches a requirement of the *PAN* or any other requirement that applies to it in relation to its *Pisces*; or
  - (2) the *FCA* considers it appropriate in the context of the operation of the *Pisces sandbox arrangements*.
- 1.6.4 G (1) The *FCA*'s powers under the *Pisces sandbox regulations* do not limit any of the *FCA*'s other powers that apply to *Pisces operators* and other persons participating in the *Pisces sandbox arrangements*.
- (2) [In particular, Part 5 of Schedule 1 to the *Pisces sandbox regulations* will apply the *FCA*'s disciplinary powers to a breach of the scope of a *PAN* or any conditions, limitations and restrictions set out therein.]

[*Editor's note*: The draft version of Part 5 of Schedule 1 to the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System) Regulations 2025 does not contain the power set out in *PS* 1.6.4G(2). However, in paragraph 2.28 of the [Draft Financial Services and Markets Act 2023 \(Private Intermittent Securities and Capital Exchange System Sandbox\) Regulations 2025 Policy Note](#), HM Treasury have confirmed that it will be in the final version.]

## 1.7 Termination of the sandbox

- 1.7.1 G The *Pisces sandbox regulations* will cease to have effect on [*Editor's note*: insert date in 2030 on which the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System) Regulations 2025 will cease to have effect].

## 1.8 Interpretation of the Pisces sourcebook

- 1.8.1 G *GEN* applies to *PS*.
- 1.8.2 G The terms in the *Glossary* apply to *PS*, in addition to the terms in *PS* App 1.

## 1.9 Application to Gibraltar-based firms



- 1.9.1 R *PS 5* applies to *Gibraltar-based firms* in accordance with the terms of its application.
- 1.9.2 R Where in *PS 6*:
- (1) the application of a provision is modified, that modification applies in relation to *Gibraltar-based firms*; and
  - (2) a provision is dis-applied, that dis-application applies in relation to *Gibraltar-based firms*,
- in each case to the extent that the original provision applies to *Gibraltar-based firms*.
- 1.9.3 G *GEN 2.3* sets out how the *Handbook* applies to *Gibraltar-based firms*.

## **2 Requirements for Pisces operators regarding the disclosure of information by Pisces companies**

### **2.1 Application and purpose**

#### Application

- 2.1.1 R Unless stated otherwise, this chapter applies to a *Pisces operator* in respect of their operation of a *Pisces*.
- 2.1.2 R *PS 2.2.11R* and *PS 2.2.12G* apply to applicants under regulation 5 of the *Pisces sandbox regulations*.
- 2.1.3 G *PS 2.9* applies to *Pisces core disclosure information*, *Pisces disclosure corrections* and *Pisces post-trading event information*.

#### Purpose

- 2.1.4 G The purpose of this chapter is to:
- (1) set out *rules and guidance* relating to *Pisces disclosure arrangements*; and
  - (2) specify:
    - (a) what is a ‘core disclosure’ for the purposes of Part 2 of Schedule 2 to the *Pisces sandbox regulations*; and
    - (b) the information that will constitute a ‘forward-looking statement’ for the purposes of paragraph 1 of Schedule 2 to the *Pisces sandbox regulations*.
- 2.1.5 G The *rules* in this chapter are made with reference in particular to regulation 9(2)(a) of the *Pisces sandbox regulations*. This regulation provides that *rules*

the *FCA* can make under regulation 9(1) may (among other things) make provision as to arrangements for the disclosure of information by *Pisces companies* in connection with the trading of *admitted Pisces shares*.

## 2.2 Pisces disclosure arrangements

### Overarching requirements

- 2.2.1 R A *Pisces operator* must put in place arrangements for the disclosure of information by *Pisces companies* to *persons* entitled to access a relevant *Pisces trading event*.
- 2.2.2 R A *Pisces operator* must ensure its *Pisces disclosure arrangements* are appropriate for the efficient and effective functioning of its *Pisces*.
- 2.2.3 R The reference in *PS 2.2.1R* to *persons* entitled to access a relevant *Pisces trading event* means any member, participant or *Pisces investor* who is not subject to restrictions referred to in *PS 3.2* in relation to the relevant *Pisces trading event*.

### Minimum requirements

- 2.2.4 R *Pisces disclosure arrangements* must at least include:
- (1) the *rules* required by *PS 2.3* (*Pisces core disclosure information*);
  - (2) the *rules* required by *PS 2.4* (*Timing of disclosures*);
  - (3) the *rules* required by *PS 2.5* (*Corrections to Pisces disclosure information*);
  - (4) the *rules* required by *PS 2.6* (*Presentation of Pisces regulated information*);
  - (5) the *rules* required by *PS 2.7* (*Provision of Pisces post-trading event information*);
  - (6) the arrangements required by *PS 2.8* (*Dissemination, access to and handling of Pisces regulated information and Pisces information requests*); and
  - (7) the risk warning that must accompany *Pisces disclosure information* required by *PS 3.7* (*Market risk warning*).
- 2.2.5 G *Pisces operators* should also note other obligations that apply with respect to disclosures taking place through their *Pisces disclosure arrangements*, including:

- (1) the requirement under *MAR 5.5.1R* regarding putting in place effective arrangements for monitoring compliance by its users with its rules, in particular with regard to a *Pisces company's* compliance with the *rules* in this chapter;
- (2) the requirements to have disciplinary arrangements and to investigate complaints about the conduct of users of its exchange as set out in *PS 3.4*, in particular with regard to the conduct of *Pisces companies* with respect to their disclosures required by virtue of this chapter; and
- (3) the requirement to prevent manipulative trading practices, in particular the references to section 89 (Misleading statements) of the Financial Services Act 2012, insofar as that could apply to statements made or omitted from *Pisces company* disclosures.

#### Arrangements for disclosure of additional information

- 2.2.6 G (1) The disclosure of *Pisces core disclosure information* may not in and of itself be appropriate for the efficient and effective functioning of a particular *Pisces* for the purposes of *PS 2.2.2R*.
- (2) Where that is the case, the *Pisces disclosure arrangements* would need to include arrangements that require or facilitate the provision of additional information by a *Pisces company*.
- (3) In considering the extent to which such arrangements are appropriate, a *Pisces operator* must take into account in particular the type and nature of companies whose *shares* are eligible for admission on its *Pisces* and the type and nature of the investors who will be able to trade in a *Pisces trading event* on its *Pisces*.
- (4) Arrangements that may require or facilitate the provision of additional information with a view to ensuring the *Pisces disclosure arrangements* comply with *PS 2.2.2R*, could, without limitation, include one or more of the following:
- (a) *Pisces operator* rules that require the disclosure by a *Pisces company* of other information or categories of information not listed in the *Pisces core disclosure information*;
  - (b) *Pisces operator* rules that require the disclosure by a *Pisces company*, in general terms, of other information the board of directors of a *Pisces company* considers relevant for *Pisces investors* in making their decision to trade in *admitted Pisces shares*; and
  - (c) arrangements overseen by the *Pisces operator* that facilitate the provision of information by a *Pisces company* in response to

requests by *Pisces investors* made for the purposes of assisting them in deciding whether to trade in the *Pisces company's* admitted *Pisces shares*.

- 2.2.7 G Where a *Pisces operator* includes arrangements described in PS 2.2.6G(4)(c), it should have regard to the following factors when considering whether the *Pisces disclosure arrangements* would then comply with PS 2.2.2R:
- (1) how such arrangements would mitigate the risk of excessive or unreasonable information requests, placing a disproportionate burden on *Pisces companies*;
  - (2) how such arrangements would mitigate the risk of *Pisces companies* not responding to reasonable requests for information;
  - (3) whether and how refusals from *Pisces companies* to answer *Pisces information requests* would be communicated to the investor requesting the information and/or to other investors; and
  - (4) in the context of the time periods applicable to the availability of information for a given *Pisces trading event*:
    - (a) whether there would be sufficient time for *Pisces information requests* to be made and responded to;
    - (b) whether there would be sufficient time for investors to analyse the responses, having regard to the type and nature of the investors; and
    - (c) whether the time allowed would be not so long that the *Pisces core disclosure information* might become out of date and need correcting in accordance with PS 2.4 and PS 2.5.
- 2.2.8 G *Pisces information requests* are, where stated, subject to *rules* set out in PS 2.8 (Dissemination, access to and handling of *Pisces* regulated information and *Pisces* information requests).

Reliance on disclosure arrangements and due diligence taking place outside of *Pisces* disclosure arrangements in determining whether additional arrangements are needed

- 2.2.9 R (1) *Pisces disclosure arrangements* must comprise a comprehensive set of arrangements that in and of themselves comply with PS 2.2.2R.
- (2) Accordingly, *Pisces disclosure arrangements* must be capable of complying with PS 2.2.2R irrespective of the existence of other arrangements or the ability of investors to seek and obtain information by other means outside of the *Pisces operator's* arrangements.

- 2.2.10 G (1) As a result of *PS 2.2.9R*, a *Pisces operator*, when assessing whether additional arrangements are required for the purposes of complying with *PS 2.2.2R*, may not rely on disclosures made, or the possibility of due diligence taking place, outside of arrangements for which it is responsible.
- (2) *PS 2.2.9R* reflects the *FCA's* view that centralised disclosure arrangements that:
- (a) are overseen by the *Pisces operator*; and
  - (b) are subject to the requirements in *PS*, including ensuring that all *Pisces regulated information* is available equally to all *persons* entitled to access it through the same arrangements,
- are essential to supporting the efficient and effective operation of a *Pisces*.

#### Description and consideration of proposed *Pisces* disclosure arrangements

- 2.2.11 R (1) An applicant under regulation 5 of the *Pisces sandbox regulations* must include in its application a risk assessment and an explanation of how the *Pisces disclosure arrangements*, including in particular any arrangements for additional information disclosure, are consistent with the requirements applicable to the *Pisces operator*, including in particular *PS 2.2.2R*.
- (2) The risk assessment and explanation must take into account the *guidance* in this chapter.
- 2.2.12 G Without prejudice to the *FCA's* broader powers with respect to a *Pisces operator*, the *FCA* may reject or impose conditions, limitations or restrictions when issuing an approval under regulation 6 of the *Pisces sandbox regulations* and would consider doing so if not satisfied with the arrangements proposed.

### 2.3 *Pisces* core disclosure information

- 2.3.1 R A *Pisces operator* must have rules that require *Pisces companies* to disclose *Pisces core disclosure information* through their *Pisces disclosure arrangements* before a *Pisces trading event*.
- 2.3.2 R The *Pisces core disclosure information* which the *Pisces operator* must include in its rules is the following:
- (1) a business overview of the *Pisces company*, which must include:
    - (a) a description of the corporate and organisational structure;

- (b) a description of the principal activities, products or services of the business and the markets in which it operates;
  - (c) the registered name of the *Pisces company* (where it is different to its trading name), where it is registered and its contact details;
  - (d) the principal jurisdictions in which it operates; and
  - (e) if material to the business or profitability of the *Pisces company*, summary information regarding the extent to which it is dependent on patents, licences, industrial, commercial or financial contracts and new manufacturing processes;
- (2) a management overview of the *Pisces company*, which must include:
- (a) a summary of the management structure and the identity and details of each of the *directors* of the *Pisces company* and of each of the *Pisces company senior management*, their previous experience and qualifications and their role in the *Pisces company*;
  - (b) if relevant, any potential conflicts of interest of any of the *directors* of the *Pisces company* and of any of the *Pisces company senior management* between their duties to the *Pisces company* and their private interests and/or other duties; and
  - (c) if relevant, details of any of the following in relation to each of the *directors* of the *Pisces company* and each of the *Pisces company senior management*:
    - (i) convictions in relation to fraudulent offences for at least the previous 5 years;
    - (ii) bankruptcies, receiverships, liquidations or companies put into administration in respect of companies in which they acted as *directors* or senior management for at least the previous 5 years (where ‘senior management’ includes *persons* who exercise executive functions in a company and who are responsible and accountable to the management body for the day-to-day management of the company); and
    - (iii) any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and whether they have ever been disqualified by a court from acting as a member of the administrative management or supervisory bodies of a

company or from acting in the management or conduct of the affairs of any company for at least the previous 5 years;

- (3) financial information which must include:
  - (a) financial statements for the past 3 years or for as long as the *Pisces company* has existed, whichever is shorter;
  - (b) if relevant, the auditors' reports relating to the financial statements referred to in (a); and
  - (c) where the latest disclosed financial statements relate to a period more than 12 *months* before the start of the *Pisces trading event*, interim financial statements or management accounts to at least 12 *months* before the start of the *Pisces trading event*;
- (4) information on the capital structure, ownership and rights in the *Pisces company* which must include:
  - (a) provisions in the articles of association (or equivalent constitutional document) relating to the governance and the rights of shareholders; and
  - (b) material provisions from any shareholder agreement;
- (5) information about the *shares* in the *Pisces company*, which must include a description of:
  - (a) the *share* capital. This should specify:
    - (i) the amount of issued capital and, for each class of *share* capital:
      - (A) the total of the *Pisces company's* authorised *share* capital;
      - (B) the number of *shares* issued and fully paid and issued but not fully paid; and
      - (C) the par value per *share* or, if the *shares* have no par value, a statement to that effect;
    - (ii) where there are *shares* not representing capital, the number and the main characteristics of such *shares*;
    - (iii) the amount of any convertible *securities*, exchangeable *securities* or *securities* with *warrants*, with an indication

of the conditions governing, and the procedures for, conversion, exchange or subscription; and

- (iv) information about, and terms of, any acquisition rights, and/or obligations over authorised but unissued capital, or an undertaking to increase the capital;
  - (b) the rights attached to the *shares*, including voting rights, any pre-emption or other preferential rights, *options*, *warrants*, limitations and arrangements for exercising rights;
  - (c) the different *share* classes and the seniority and rights attached to those *shares*, including in an insolvency situation;
  - (d) the dividend policy; and
  - (e) any restrictions on the future transferability of the *shares*;
- (6) a summary of any *employees' share schemes* including arrangements for *directors* of the *Pisces company* and *Pisces company senior management*;
- (7) information about transactions by *directors* of the *Pisces company*, which must include:
- (a) details of any transactions in any *shares* in the *Pisces company*, whether on a *Pisces* or not, within the 12 *months* before the *Pisces trading event*, including trade date, trade price, number of *shares* bought or sold, class of *share* and name of the *director*;
  - (b) details of any trading intentions of *directors* of the *Pisces company* for the *Pisces trading event* in *admitted Pisces shares*, including whether buy or sell, likely volume and optionally the reason for the trade; and
  - (c) where there are no transactions or intentions described in (a) or (b) respectively, a statement to confirm that there are no such transactions or intentions;
- (8) information about current, pending or likely litigation or disputes, suits, proceedings or investigations involving the *Pisces company* or its *directors* or *Pisces company senior management* if material to the business or profitability of the *Pisces company*;
- (9) details of any contracts or agreements if material to the business or profitability of the *Pisces company*;



- (10) information about any *share* capital issued by the *Pisces company* within the previous 3 years, which must include the date, issue price and amount raised;
- (11) information about any key material risk factors specific to the *Pisces company* and its *shares*. The materiality of the risks must be based on the probability of their occurrence and the expected magnitude of their negative impact. Risks which are generic and which merely seek to act as disclaimers to limit the liability of the *Pisces company* should not be included;
- (12) information about the following significant changes, if any:
- (a) significant changes to the financial position, performance or prospects since the balance sheet date of the *Pisces company's* latest published financial information;
  - (b) significant acquisitions or disposals of businesses or assets by the *Pisces company* since the last *Pisces trading event*; and
  - (c) significant related party transactions as described in International Accounting Standard 24 on Related Party Disclosures, as applied by UK adopted international accounting standards on 1 January 2022, since the balance sheet date of the *Pisces company's* latest published financial information;
- (13) details of the following (or, if none, a statement to confirm that):
- (a) any *person* who holds (directly or indirectly) above 10% of *shares* or voting rights in the *Pisces company*;
  - (b) any *person* who holds the right (directly or indirectly) to appoint or approve a majority of the board of *directors* of the *Pisces company*;
  - (c) any *person* who has the right to exercise, or actually exercises, significant influence or control over the *Pisces company*; and
  - (d) any trustees of a trust or members of a firm that, under the law by which it is governed is not a legal person, meet any of the other specified conditions (in their capacity as such) in relation to the *Pisces company*, or would do so if they were *persons*, and the *person* has the right to exercise, or actually exercises, significant control over the activities of that trust or firm,

where a *share* held by a *person* as a nominee for another is to be treated as being held by the other *person* rather than the nominee;

- (14) confirmation of whether price parameters are being applied in connection with the relevant *Pisces trading event* and, if so, details of:
  - (a) any floor and ceiling prices;
  - (b) the basis on which the price parameters were determined;
  - (c) the reasons for any changes to the price parameters applied in any previous *Pisces trading event*;
  - (d) whether the valuation of the *admitted Pisces shares* and the price parameters were prepared by the *Pisces company* or by an independent third party; and
  - (e) the identity of any such independent third party;
- (15) information about any *sustainability characteristics* of the *Pisces company* which are material to its business or the profitability of the *Pisces company*, including information about material climate-related risks and opportunities and a summary of key information in any published climate-related transition plan;
- (16) (a) forecasts of financial information of the *Pisces company* for at least the next 12 *months*; and
  - (b) details of the *Pisces company's* business strategy and objectives for at least the next 12 *months*;
- (17) whether any commitments have been made to hold future *Pisces trading events* and, if so, indications of when or how often those will be; and
- (18) the last traded price of an *admitted Pisces share* and the volume of *admitted Pisces shares* traded at any previous relevant *Pisces trading events*.

#### Legitimate omissions of Pisces core disclosure information

- 2.3.3 R (1) Subject to (2), the rules of the *Pisces operator* must allow *Pisces companies* not to disclose a particular item of *Pisces core disclosure information* (or information that would form part of a particular item) to *persons* entitled to access the relevant *Pisces trading event* in the circumstances set out in *PS 2.3.4R* if they instead provide:
- (a) a statement specifying the information that has been omitted from the *Pisces core disclosure information* in *PS 2.3.2R*; and

- (b) a legitimate explanation in summary form of the reason for the omission.
- (2) This *rule* does not apply to the items described in *PS 2.3.2R(7)* and *PS 2.3.2R(13)*.
- 2.3.4 R The rules of the *Pisces operator* must provide that information may be omitted in accordance with *PS 2.3.3R(1)* where:
  - (1) the *Pisces company* does not have access to the information;
  - (2) disclosure would likely prejudice the legitimate interests of the *Pisces company*; or
  - (3) contractual arrangements with other parties prevent the disclosure of the information.
- 2.3.5 R Other than as provided for in *PS 2.3.4R(2)*, the rules of the *Pisces operator* may only permit the omission of information on an exceptional basis.

#### Negative statements

- 2.3.6 R The rules of the *Pisces operator* must also enable a *Pisces company* not to provide information set out in the list of *Pisces core disclosure information* where the information is not relevant to it and it instead:
  - (1) makes a statement specifying the information that has been omitted from the *Pisces core disclosure information* in *PS 2.3.2R*; and
  - (2) gives the reason why the information is not relevant to it.
- 2.3.7 G Examples of where a negative statement would be appropriate include where the *Pisces company* does not intend to hold any further *Pisces trading events* or where it does not intend to apply price parameters in relation to the relevant *Pisces trading event*.

#### Re-using previously disclosed information

- 2.3.8 G The rules of a *Pisces operator* may provide that:
  - (1) where a *Pisces trading event* occurs shortly after another *Pisces trading event* for the same *Pisces company*; and
  - (2) there are disclosures (including *Pisces disclosure information* and *Pisces disclosure corrections*) that have not changed from the previous *Pisces trading event* and therefore remain accurate and up to date,

such information may be used again, provided the *Pisces company* identifies where this has been done and clearly states that the information has not been updated from the previous *Pisces trading event*.

## 2.4 Timing of disclosures

- 2.4.1 R The rules of a *Pisces operator* must ensure that *Pisces companies* disclose *Pisces disclosure information* sufficiently in advance of the relevant *Pisces trading event* to *persons* entitled to access the *Pisces trading event* to enable them to analyse and understand the information, taking into account the type and nature of the investors.

## 2.5 Corrections to Pisces disclosure information

- 2.5.1 R A *Pisces operator* must have rules providing that, where there are material new developments or material mistakes or inaccuracies in the *Pisces disclosure information* already disclosed or communicated through *Pisces disclosure arrangements*, a *Pisces company* must, as soon as possible:
- (1) notify the *Pisces operator*;
  - (2) communicate this through the *Pisces disclosure arrangements*, clearly identifying the information that is out of date or that was incorrect; and
  - (3) communicate the necessary updated or corrected information through the *Pisces disclosure arrangements*.
- 2.5.2 G (1) Where a *Pisces operator* becomes aware that there are material new developments or material mistakes or inaccuracies in *Pisces disclosure information* disclosed or communicated to *persons* entitled to access the relevant *Pisces trading event*, a *Pisces operator* should consider whether the *Pisces trading event* should be postponed, suspended or terminated in accordance with *PS 3.5.1R*.
- (2) The *Pisces operator* should take into account whether *persons* entitled to access the relevant *Pisces trading event* will be given sufficient time to consider the updated or corrected information in accordance with *PS 2.4.1R*.

## 2.6 Presentation of Pisces regulated information

- 2.6.1 R A *Pisces operator's* rules must ensure that a *Pisces company* presents its *Pisces regulated information* in an easily analysable, concise and comprehensible form, taking into account the type and nature of the *persons* entitled to access the *Pisces trading event*.

## 2.7 Provision of Pisces post-trading event information

- 2.7.1 R The rules of a *Pisces operator* must require a *Pisces company* to provide the following information (or, if none, a statement confirming that):
- (1) details of any transactions in any *shares* in the *Pisces company*, whether on a *Pisces* or not, during the *Pisces trading event* carried out by a *director* of the *Pisces company*, including the trade date, the trade price, the number of *shares* bought or sold, the class of *share* and the name of the *director*; and
  - (2) an update to the following information (which was provided as part of the *Pisces core disclosure information*):
    - (a) any *person* who holds (directly or indirectly) above 10% of *shares* or voting rights in the *Pisces company*;
    - (b) any *person* who holds the right (directly or indirectly) to appoint or approve a majority of the board of *directors* of the *Pisces company*;
    - (c) any *person* who has the right to exercise, or actually exercises, significant influence or control over the *Pisces company*; and
    - (d) any trustees of a trust or members of a firm that, under the law by which it is governed is not a legal person, meet any of the other specified conditions (in their capacity as such) in relation to the *Pisces company*, or would do so if they were *persons*, and the *person* has the right to exercise, or actually exercises, significant control over the activities of that trust or firm,

where a *share* held by a *person* as a nominee for another is to be treated as being held by the other *person* rather than the nominee.

2.7.2 R The rules of a *Pisces operator* must ensure that *Pisces post-trading event information* is disseminated within a reasonable time after the *Pisces trading event* and before the next *Pisces trading event*.

2.7.3 R The rules of the *Pisces operator* must provide that, where there are any material mistakes or inaccuracies in the *Pisces post-trading event information*, such information must be corrected in accordance with the procedure set out in PS 2.5.1R.

## 2.8 Dissemination, access to and handling of Pisces regulated information and Pisces information requests

Access to historic Pisces regulated information

- 2.8.1 R *Pisces disclosure arrangements* must ensure that *persons* entitled to access the *Pisces trading event* have access to historic *Pisces regulated information* from previous *Pisces trading events* in *shares* in the same *Pisces company*.

Dissemination and availability of information

- 2.8.2 R *Pisces disclosure arrangements* must be able to:
- (1) disseminate and make available *Pisces disclosure information* and *Pisces disclosure corrections* to *persons* entitled to access the relevant *Pisces trading event* continuously at all times from as soon as technically possible after the *Pisces company* has disclosed the relevant information until the end of the *Pisces trading event*;
  - (2) where arrangements referred to in *PS 2.2.6G(4)(c)* are used, enable *persons* with access to a *Pisces trading event* to submit *Pisces information requests* to the relevant *Pisces company*;
  - (3) disseminate the *Pisces post-trading event information*, and any corrections to it, to *persons* who were able to access the relevant *Pisces trading event* as soon as technically possible after the relevant *Pisces company* has made it available; and
  - (4) notify *persons* entitled to access the *Pisces trading event* as soon as possible of any information disseminated through the arrangements.

Equal access to information

- 2.8.3 R A *Pisces operator* must ensure that, when disseminating information, all *persons* entitled to access a *Pisces trading event* are able to access *Pisces regulated information* relevant to that *Pisces trading event* equally, at the same time and free of charge.

Handling *Pisces regulated information*: business continuity

- 2.8.4 R A *Pisces operator* must ensure that if circumstances arise which prevent the reception, dissemination and availability of *Pisces regulated information* and, where applicable, *Pisces information requests*, throughout the time required by the *Pisces operator's* rules, there are adequate arrangements in place to ensure that disruption can be minimised, including by maintaining business continuity arrangements.
- 2.8.5 R A *Pisces operator* must ensure systems and facilities are used that are appropriate and robust enough to ensure continuity and regularity in the performance of the *Pisces disclosure arrangements*.

- 2.8.6 G In the event of severe disruption occurring shortly before or during a *Pisces trading event*, a *Pisces operator* should consider postponing, suspending or terminating the *Pisces trading event* under PS 3.5.1R.
- 2.8.7 R A *Pisces operator* must ensure arrangements are in place to promptly inform *persons* entitled to access the *Pisces trading event* of any service interruptions or connection disruptions as well as the time estimated to resume a regular service.

Handling *Pisces* regulated information: security

- 2.8.8 R The *Pisces disclosure arrangements* must ensure the secure handling of *Pisces regulated information* when submitted by a *Pisces company* or *person* acting on its behalf and ensure a secure means of disseminating the *Pisces regulated information* through the *Pisces disclosure arrangements*.
- 2.8.9 R The *Pisces disclosure arrangements* must include measures to prevent any significant risk of corruption of *Pisces regulated information* and, where applicable, *Pisces information requests*, during its submission, handling and dissemination.

Handling *Pisces* regulated information: record keeping

- 2.8.10 R The *Pisces disclosure arrangements* must ensure that the following information is recorded for all *Pisces regulated information* and, where applicable, *Pisces information requests*:
- (1) the name of any *person* who communicates the *Pisces regulated information* on behalf of a *Pisces company* or the name of any *person* and the name of the *company* on whose behalf they are acting, if any, who makes a *Pisces information request*;
  - (2) the name of the *Pisces company* on behalf of which the *Pisces regulated information* is communicated; and
  - (3) the date and time the *Pisces regulated information* or *Pisces information request* is disseminated through the *Pisces disclosure arrangements*.
- 2.8.11 R *Pisces disclosure arrangements* must ensure that the following records are retained by a *Pisces operator* for a period of 5 years from the date the record is made:
- (1) records of all the *Pisces regulated information* disseminated through the *Pisces disclosure arrangements* and, where applicable, all *Pisces information requests*; and
  - (2) records of the information referred to in PS 2.8.10R.

- 2.8.12 R *Pisces disclosure arrangements* must ensure the records are easily accessible by the *Pisces operator* for the duration of the 5-year period.

Receiving *Pisces* regulated information: validation of submissions

- 2.8.13 R The *Pisces disclosure arrangements* must provide certainty about the identity of the *person* submitting the *Pisces regulated information* and the authority of that *person* to do so on behalf of the *Pisces company*.

Disseminating *Pisces* regulated information: provision to the FCA

- 2.8.14 R A *Pisces operator* must ensure that appropriate arrangements are in place to facilitate, on request, the provision of the following information, exclusive of all other information, to the *FCA* or an agent appointed by the *FCA* to act on its behalf, free of charge:

- (1) *Pisces regulated information* disseminated by or on behalf of a *Pisces company*; and
- (2) where applicable, *Pisces information requests*.

Outsourcing

- 2.8.15 G Where a *Pisces operator* outsources the operation of the arrangements for dissemination, access to and handling of *Pisces regulated information*, it must do so in accordance with the general requirements that apply to it in respect of that outsourcing, including those set out in *SYSC 8* for *firms* and in *REC 2.2* for *UK RIEs*.

## 2.9 Provision relating to regulation 8 (Liability for disclosed information) of and Schedule 2 (Compensation: exemptions) to the *Pisces* sandbox regulations

- 2.9.1 R The following are ‘core disclosure’ for the purposes of Part 2 of Schedule 2 to the *Pisces sandbox regulations*:
- (1) *Pisces core disclosure information* and *Pisces disclosure corrections* to it; and
  - (2) *Pisces post-trading event information* and corrections to it made under *PS 2.7.3R*.
- 2.9.2 R The statements required by *PS 2.3.2R(16)* are forward-looking statements for the purposes of paragraph 1 of Schedule 2 to the *Pisces sandbox regulations*.
- 2.9.3 R A *Pisces operator* must clearly identify in its disclosures that the information described in *PS 2.3.2R(16)* is a forward-looking statement.

## 3 Requirements applying to *Pisces* operators: general requirements



### 3.1 Application and purpose

#### Application

3.1.1 R This chapter applies to:

- (1) *Pisces operators* when operating a *Pisces*; and
- (2) *investment firms* to whom Article 12 of Commission Delegated Regulation (EU) 2017/587 (as amended or replaced) applies.

#### Purpose

3.1.2 G The purpose of this chapter is to set out *rules* and *guidance* that apply to a *Pisces operator* in relation to:

- (1) restricting investor access to a *Pisces trading event* (PS 3.2);
- (2) trading event notifications (PS 3.3);
- (3) disciplinary arrangements and complaints (PS 3.4);
- (4) postponement, suspension or termination of a *Pisces trading event* (PS 3.5);
- (5) refusal of admission or cancellation of admission of *shares* (PS 3.6);
- (6) market risk warnings (PS 3.7); and
- (7) trade transparency (PS 3.8).

3.1.3 G In relation to trade transparency, the purpose is also to disapply the requirement for transaction reporting for *investment firms* trading outside of the rules of a trading venue set out in Article 12 of Commission Delegated Regulation (EU) 2017/587.

### 3.2 Restricting investor access to a *Pisces trading event*

3.2.1 R Where a *Pisces operator* intends to allow a *Pisces company* to restrict access to a *Pisces trading event* in its *shares*, the rules of the *Pisces operator* must set out the criteria by which a *Pisces company* can restrict such access.

3.2.2 R These rules must ensure that:

- (1) a *Pisces company* may not enter into arrangements to restrict an investor from participating in a *Pisces trading event* to buy *shares* unless the restriction is imposed for the purposes of promoting or protecting legitimate commercial interests of the *Pisces company*;

- (2) a *Pisces company* may not restrict an investor from participating in a *Pisces trading event* to sell their *shares* unless that is consistent with existing contractual obligations applicable to the investor as a *qualifying individual* in relation to the *Pisces company*; and
- (3) a *Pisces company* may not enter into an arrangement to restrict a participant or member of the *Pisces* from participating in a *Pisces trading event* unless the restriction is consistent with *MAR 5.3.1R(4)* (as applied to *firms* and *RIEs* in *PS 6*).

3.2.3 R A *Pisces operator* must ensure that where a *Pisces company* places restrictions on investor access to a *Pisces trading event*, the arrangements that give effect to those restrictions ensure that any *Pisces investor* (as defined in regulation 4(3) of the *Pisces sandbox regulations*) who requests access to that particular *Pisces trading event* is informed of the nature of the restrictions in a timely manner before the *Pisces trading event* takes place.

### 3.3 Public trading event notifications

- 3.3.1 R A *Pisces operator* must ensure that the following information is made available publicly and in a timely manner before any *Pisces trading event*:
- (1) the timing and length of the *Pisces trading event*;
  - (2) the date from when the *Pisces disclosure information* will be available, and the length of time that it will be available;
  - (3) the relevant *shares* available for trading in the *Pisces trading event*;
  - (4) if relevant, any restrictions imposed by the *Pisces operator* on investor, participant, and/or member participation on the *Pisces*; and
  - (5) whether or not the *Pisces company* has imposed any restrictions on access to the *Pisces trading event*.

### 3.4 Disciplinary arrangements and complaints

#### Disciplinary arrangements

- 3.4.1 G (1) A *Pisces operator* that is an *RIE* is required to have effective arrangements for monitoring and enforcing compliance with their rules under paragraph 8(1) of the Schedule to the *Recognition Requirements Regulations*.
- (2) Paragraph 8(2) of the Schedule to the *Recognition Requirements Regulations* provides that the arrangements made pursuant to paragraph 8(1) must include procedures for:

- (a) investigating complaints made to the exchange about the conduct of *persons* in the course of using the exchange's *facilities*; and
    - (b) the fair, independent and impartial resolution of appeals against decisions of the exchange.
- 3.4.2 R A *Pisces operator* that is a *firm* must ensure that it has disciplinary arrangements in place that include procedures for:
- (1) investigating complaints made to the *Pisces operator* about the conduct of *persons* in the course of using the facilities of the *Pisces*; and
  - (2) the fair, independent and impartial resolution of appeals against the decisions of the *Pisces operator*.
- 3.4.3 G The procedures referred to in *PS 3.4.2R(1)* should:
- (1) enable the *Pisces operator* to:
    - (a) acknowledge complaints promptly;
    - (b) take reasonable steps to consider and investigate these complaints objectively, promptly and thoroughly;
    - (c) provide a timely reply to the complainant; and
    - (d) keep adequate records of complaints and investigations;
  - (2) enable a *person* who is the subject of a complaint to respond in an appropriate manner to that complaint; and
  - (3) be documented and brought to the attention of *persons* who might wish to make a complaint.
- 3.4.4 G In assessing the procedures referred to in *PS 3.4.2R(2)* relating to appeals, the *FCA* may have regard to at least the following factors:
- (1) the arrangements made to ensure prompt hearings of appeals from decisions made by the *Pisces operator*; and
  - (2) the format, organisation and rules of procedure of those hearings.

#### Complaints against a *Pisces operator*

- 3.4.5 G A *Pisces operator* that is an *RIE* is required to have effective arrangements for the investigation and resolution of complaints arising in connection with the performance of, or failure to perform, any of its functions under paragraph 9 of the Schedule to the *Recognition Requirements Regulations*.

- 3.4.6 R A *Pisces operator* that is a *firm* must have effective arrangements for the investigation and resolution of complaints arising in connection with the performance of, or failure to perform, any of its functions as a *Pisces operator*.
- 3.4.7 R The arrangements referred to in *PS 3.4.6R* do not extend to complaints about the content of the rules of the *Pisces operator* or complaints about a decision against which the complainant has the right to appeal under the procedures outlined in *PS 3.4.2R*.
- 3.4.8 G The arrangements for investigation of complaints against the *Pisces operator* set out in *PS 3.4.6R* should enable the *Pisces operator* to:
- (1) acknowledge complaints promptly;
  - (2) make an objective, prompt and thorough investigation of complaints;
  - (3) provide a timely reply to the complainant after that investigation; and
  - (4) keep adequate records of complaints and investigations.

### **3.5 Postponement, suspension or termination of a *Pisces* trading event**

- 3.5.1 R A *Pisces operator* must:
- (1) be able, in its rules, to postpone or suspend trading when it has reason to believe that there has been, or there is likely to be, a significant breach of:
    - (a) its own obligations in relation to operating a *Pisces*; or
    - (b) its rules.
  - (2) be able, in its rules, to terminate a *Pisces trading event* where it appears to it that the breach, or likely breach, referred to in (1) is sufficiently serious to be likely to cause significant damage to the interests of investors or the orderly functioning of the *Pisces*; and
  - (3) make public any decision to postpone, suspend or terminate, and notify the *FCA* of it.

### **3.6 Refusal or cancellation of admission of the shares of a *Pisces* company to trading on a *Pisces***

- 3.6.1 R The rules of a *Pisces operator* must enable it to refuse or cancel admission of the *shares* of a *Pisces company* to its *Pisces* if it has serious grounds to conclude that the *Pisces company* is not, or is no longer, willing or able to comply with its rules.

### 3.7 Market risk warning

- 3.7.1 R A *Pisces operator* must ensure that all *Pisces disclosure information* disseminated through its *Pisces disclosure arrangements* (in accordance with PS 2) is accompanied by the following risk warning (omitting any sections not relevant to its *Pisces*):

[*Editor's note*: the underlined sentence ('Take 2 mins to learn more.')] should be hyperlinked to a page containing the information set out at PS 5 Annex 1R.]

**“Don’t invest unless you’re prepared to lose all the money you invest. This is a high-risk investment, and you are unlikely to be protected if something goes wrong. Take 2 mins to learn more.”**

Before investing, you should also be aware of the specific risks of a PISCES market outlined below.

PISCES is a market for the trading of private company shares. Investing in private companies may involve extra risks compared to trading in public companies. For instance, private companies may be at an earlier stage of development or have fewer shares in public hands available for trading.

PISCES trading events may be infrequent and are not guaranteed to repeat. This may make it more difficult for you to sell your shares. PISCES operators are subject to obligations that may require them to suspend or cancel trading events, to protect the orderliness of their platform.

PISCES company disclosures are not required to be approved by a PISCES operator or the FCA. You could reduce your risk of trading on PISCES by performing your own checks on PISCES company disclosures.

Company disclosures are subject to a specific statutory liability regime which may affect your ability to claim damages for losses caused by incorrect or misleading statements within them. Information identified as forward-looking information would be subject to a higher liability threshold. Seek advice as appropriate.

The UK Market Abuse Regulation does not directly apply to shares admitted to trading on a PISCES platform.

As a result, other investors may possess information relevant to an assessment of the price of admitted PISCES shares that has not been disclosed on PISCES. This means that some investors may have more information than others.

PISCES companies may set a minimum and/or maximum price for their shares on PISCES (a ‘price parameter’). Companies will need to explain how they have determined these values and you should consider whether you think their price parameters are reasonable before trading their shares.

### 3.8 Pre- and post-trade transparency

- 3.8.1 R A *Pisces operator* must make available to the participants, members and investors entitled to trade in the relevant *Pisces trading event* the current bid and offer prices and the depth of trading interests at those prices which are advertised through their systems. This requirement also applies to actionable indications of interest (ie, a message from one member or participant to another within a trading system in relation to an available trading interest that contains all necessary information to agree on a trade).
- 3.8.2 R Where a *Pisces operator* is running a *Pisces trading event* it must make the information referred to in PS 3.8.1R freely available on a continuous basis during that event.
- 3.8.3 R The information to be made freely available referred to in PS 3.8.1R and PS 3.8.2R must be calibrated for different types of trading system.
- 3.8.4 R For a *Pisces* that matches orders on the basis of a periodic auction and a trading algorithm operated without human intervention, the information to be made freely available must include the price at which the auction trading system would best satisfy its trading algorithm in respect of *financial instruments* traded on the *Pisces* and the volume that would potentially be executable at that price by participants in that *Pisces*.
- 3.8.5 R A trading system other than a periodic auction system must ensure that it makes available adequate information as to the level of orders and quotes and of trading interest in respect of *shares* traded on the system.
- 3.8.6 R A *Pisces operator* must make available the instrument identification, price, volume and time of the transactions executed on the *Pisces*. The *Pisces operator* must make details of all such transactions available to members, participants and investors entitled to trade on the relevant *Pisces trading event* as close to real-time as is technically possible.
- 3.8.7 R A *Pisces operator* must ensure that *persons* entitled to access a *Pisces trading event* have access to adequate information regarding the execution of transactions during previous relevant *Pisces trading events* to support the efficient functioning of the *Pisces* price discovery process.
- 3.8.8 R Article 12 of Commission Delegated Regulation (EU) 2017/587 (as amended or replaced) does not apply to *financial instruments* traded on a *Pisces*.

### **3.9 Treatment of Pisces transparency data**

- 3.9.1 R A *Pisces operator* must ensure the following in relation to the trade data referred to in PS 3.8 (*Pisces transparency data*):
- (1) if circumstances arise which prevent the reception, dissemination and availability of *Pisces transparency data* during a *Pisces trading event*, there are adequate arrangements in place to ensure that disruption can

be minimised, including by maintaining business continuity arrangements;

- (2) systems and facilities are used that are appropriate and robust enough to ensure continuity and regularity in provision of *Pisces transparency data*;
- (3) arrangements are in place to promptly inform *persons* entitled to access *Pisces transparency data* of any service interruptions or connection disruptions as well as the time estimated to resume a regular service;
- (4) there exists a secure means of communicating *Pisces transparency data* to *persons* entitled to access the *Pisces trading event*;
- (5) measures exist to prevent any significant risk of corruption of *Pisces transparency data* during its dissemination; and
- (6) records of *Pisces transparency data*, including the date and time it was disseminated, are maintained for 5 years in a form that the *Pisces operator* can easily access.

## **4 Detection and prevention of manipulative trading practices on a Pisces**

### **4.1 Application and purpose**

#### Application

- 4.1.1 R This chapter applies to a *Pisces operator* in respect of their operation of a *Pisces*.
- 4.1.2 G This chapter is relevant to all *persons* seeking guidance on the application of the *Market Abuse Regulation* with respect to *shares* admitted to a *Pisces*.
- 4.1.3 R This chapter also applies to an applicant to operate a *Pisces* under regulation 5 of the *Pisces sandbox regulations* insofar as it sets out requirements relevant to this chapter that apply in respect of an application under that regulation.
- 4.1.4 G *PS 4.11* contains *guidance* to *firms* acting as intermediaries regarding *regulated activities* carried on in connection with trading on a *Pisces*.

#### Purpose

- 4.1.5 G The purpose of this chapter is to set out:
  - (1) *guidance* on the application of the *Market Abuse Regulation* with respect to *admitted Pisces shares*;
  - (2) *guidance* on the general obligations that apply to *Pisces operators* relating to preventing and detecting manipulative trading practices taking place on a *Pisces*;

- (3) *rules* that apply to *Pisces operators* to complement and clarify their general obligations; and
- (4) *guidance* to other *firms* on their responsibilities regarding the prevention and detection of manipulative market practices taking place on a *Pisces*.

- 4.1.6 G The *guidance* in this chapter is not intended to be a comprehensive explanation of all the requirements that may apply in connection with manipulative market practices and the connected matters referred to, such as notifications and record keeping. However, it is intended to indicate core areas of focus in respect of detecting and preventing such practices from taking place on a *Pisces*.
- 4.1.7 G The *rules* in this chapter are made with reference in particular to regulation 9(2)(b) of the *Pisces sandbox regulations*, which provides that the *rules* the *FCA* can make under regulation 9(1) may (among other things) make provision concerning the detection and prevention of abusive trading behaviours on a *Pisces*.

## 4.2 Application of the Market Abuse Regulation in respect of an admitted *Pisces* share

- 4.2.1 G Part 3 of Schedule 1 to the *Pisces sandbox regulations* modifies the application of *MiFIR* so that a *Pisces* subject to approval under regulation 6 of those regulations is excluded from the definition of *MTF* and is therefore not treated as a form of *trading venue* under the *Pisces sandbox arrangements*.
- 4.2.2 G Accordingly, an *admitted Pisces share* is not, by virtue of its admission to a *Pisces* alone, within the scope of the *Market Abuse Regulation*.
- 4.2.3 G That said, the *Market Abuse Regulation* may still apply in respect of an *admitted Pisces share* if its price or value depends on or has an effect on the price or value of *financial instruments* admitted to trading on a *regulated market*, *MTF* or *OTF*, or for which a request for admission to trading on a *regulated market*, *MTF* or *OTF* has been made (see Article 2 of the *Market Abuse Regulation*).
- 4.2.4 G Nevertheless, for the reasons mentioned in this chapter, *Pisces operators* and *firms* still have a central role to play in mitigating the harms that may be caused by manipulative trading practices taking place on a *Pisces*.

## 4.3 Overarching obligations relating to manipulative trading practices

- 4.3.1 R Manipulative trading practices include abusive, deceptive or manipulative trading practices that give or are likely to give false or misleading impressions or signals as to the market in or the price or value of *admitted Pisces shares*.
- 4.3.2 G Taking effective steps to detect and prevent the occurrence of manipulative trading practices on an exchange is a core component of the general



obligations that apply to exchange operators regarding maintaining fair and orderly markets, the proper protection of investors and market integrity.

- 4.3.3 G These general obligations for *UK RIEs* include paragraphs 4(1) and 4(2) of the Schedule to the *Recognition Requirements Regulations* and, for *firms* operating *trading venues*, they include *MAR 5.3.1R(1)*.
- 4.3.4 G The risk to fair and orderly markets posed by manipulative trading practices is clearly indicated in *REC 2.6.28G*. This provides that in determining whether a *UK RIE* is ensuring that business conducted by means of its *facilities* is conducted in an orderly manner the *FCA* will have regard to the extent to which a *UK RIE's* rules and procedures prohibit certain abusive, manipulative or deceptive trading practices from taking place on them.
- 4.3.5 G The obligations concerning fair and orderly markets that apply to exchange operators generally also apply to *Pisces operators* when operating a *Pisces*, including the obligations under the *Recognition Requirements Regulations*, where applicable, and *MAR 5*, which has been applied to *Pisces operators* in *PS 6.12*.
- 4.3.6 G Accordingly, a *Pisces operator* will need to take effective steps to detect and prevent the occurrence of manipulative trading practices on its *Pisces*.
- 4.3.7 G *Pisces operators* are also subject to the same general obligations as *UK RIEs* and *firms* (as the case may be) to reduce the extent to which they are used for the purposes of *financial crime* – for instance *SYSC 6.1.1R* for *firms* operating a *Pisces* and paragraph 4(2)(f) of the Schedule to the *Recognition Requirements Regulations* for *UK RIEs* operating a *Pisces*.
- 4.3.8 G *Financial crime* includes conduct that would be an offence under sections 89 (Misleading statements) and 90 (Misleading impressions) of the Financial Services Act 2012. Accordingly, the effective measures a *Pisces operator* will need to have in place to prevent and detect the occurrence of manipulative trading practices occurring on its *Pisces* are also required under its general requirements to prevent financial crime.

#### **4.4 Requirement to have rules prohibiting manipulative trading practices on a *Pisces***

- 4.4.1 R Without prejudice to the generality of its relevant overarching obligations, a *Pisces operator* must have clear and transparent rules that prohibit its members and participants from:
- (1) carrying on manipulative trading practices; and
  - (2) facilitating or enabling the carrying on of manipulative trading practices by others,
- in connection with the trading of *shares* on its *Pisces*.

- 4.4.2 G The rules, or the application of them, should also seek to address attempts to carry on manipulative trading practices.

#### 4.5 Risk assessment to be provided with an application to the Pisces sandbox

- 4.5.1 R (1) An applicant under the *Pisces sandbox arrangements* must include in its application under regulation 5 of the *Pisces sandbox regulations*:
- (a) a comprehensive assessment of the risks of manipulative trading practices taking place on its *Pisces*; and
  - (b) a detailed explanation of the measures the *Pisces operator* intends to put in place to effectively mitigate those risks.
- (2) This risk assessment must take into account the *rules* and *guidance* in this chapter.
- (3) An applicant must also include in its application form a detailed explanation of how it will comply with the *rules* and other requirements referred to in this chapter.
- 4.5.2 G (1) Without prejudice to the *FCA*'s broader powers with respect to a *Pisces operator*, the *FCA* may impose conditions, limitations or restrictions when issuing an approval under regulation 6 of the *Pisces sandbox regulations* and would consider doing so if not satisfied with the risk assessment or measures proposed.
- (2) Given the importance of this matter to fair and orderly markets and the prevention of *financial crime*, the *FCA* may exercise its discretion to refuse an application if it cannot be satisfied that the applicant is ready, willing or able to satisfactorily assess the risks and put in place and maintain effective mitigating measures.

Assessing relevant manipulative trading practices for the purposes of a risk assessment

- 4.5.3 G In assessing the risk of manipulative trading practices that may occur on its *Pisces*, a *Pisces operator* should take into account:
- (1) the intended users, including companies and investors, and the trading system to be employed on its particular *Pisces*;
  - (2) the relevant behaviours referred to in *REC 2.6.28G*;
  - (3) the relevant behaviours referred to in Article 12 of the *Market Abuse Regulation* as supplemented by Commission Delegated Regulation 2016/522; and
  - (4) the relevant behaviours and signals that may indicate abusive behaviour referred to in Article 82(3) and in Section B of Annex III of the *MiFID Org Regulation*.

## Ongoing consideration of risk assessment and measures

- 4.5.4 R As part of the effective measures that a *Pisces operator* must put in place to detect and prevent manipulative trading practices occurring on its *Pisces*, a *Pisces operator* should put in place appropriate arrangements and systems under which it will:
- (1) regularly review and, if appropriate, update the risk assessment provided to the *FCA* as part of its application; and
  - (2) regularly review, and if appropriate, update the measures it has put in place to ensure ongoing compliance with the relevant obligations.
- 4.5.5 R A *Pisces operator* must inform the *FCA* as soon as practicable if
- (1) material changes are made to the risk assessment initially provided; or
  - (2) it plans to materially change the measures put in place to mitigate the risk of manipulative trading practices.
- 4.5.6 G The *FCA* may direct a *Pisces operator* to provide further information, where relevant, under regulation 11(2)(a) of the *Pisces sandbox regulations* and will consider whether any action is appropriate under regulation 5, 11, or 13 of the *Pisces sandbox regulations*, in addition to other action it may take, if any material concerns are not addressed.
- 4.5.7 G *PS 4.5.4G* applies without prejudice to the generality, as applicable, of a *Pisces operator's* other obligations relating to the assessment of risk, including *Principle 3* (Management and control), paragraph 3 of the Schedule to the *Recognition Requirements Regulations* and *MAR 5.3.1AR(2)*, which applies to a *Pisces* under *PS 6.12.4R(3)*.

#### 4.6 Continuous monitoring of transactions to identify manipulative trading practices on a *Pisces*

- 4.6.1 G (1) *PS 6.12.4R(10)* applies *MAR 5.5.1R* to *Pisces operators* with appropriate modifications. The modified application of *MAR 5.5.1R* requires a *Pisces operator* to:
- (a) have effective arrangements and procedures for the regular monitoring of the compliance by its users with its rules; and
  - (b) monitor the transactions by its users under its systems in order to identify breaches of those rules, disorderly trading conditions, systems disruptions or conduct that may involve an offence under sections 89 (Misleading statements) and 90 (Misleading impressions) of the Financial Services Act 2012.
- (2) For *Pisces operators* that are *UK RIEs*, this sits alongside similar but more detailed requirements relating to monitoring under paragraphs 3(2)(c), 3(3), 4(2)(f) and 8 of the Schedule to the *Recognition*

*Requirements Regulations* and the relevant *guidance* on these provisions in *REC*.

- (3) For *Pisces operators* that are *firms*, this sits alongside SYSC 6.1.1R.
- (4) In the context of manipulative trading practices, the result of these general requirements is that *Pisces operators* must be able to effectively monitor transactions taking place on their *Pisces* with a view to identifying, among other things:
  - (a) non-compliance by its members and participants with its rules with a view to ensuring fair and orderly trading and protecting the integrity of its *Pisces*; and
  - (b) manipulative trading practices that may amount to an offence under sections 89 (Misleading statements) and 90 (Misleading impressions) of the Financial Services Act 2012.

4.6.2 G These monitoring arrangements should:

- (1) be proportionate to the scale, size and complexity of the *Pisces*, taking into account the intended users and trading mechanisms employed;
- (2) employ controls designed to mitigate market integrity risks based on the risk assessment of the particular *Pisces*;
- (3) permit the analysis of transactions and orders placed, modified, cancelled and rejected in the *Pisces* trading systems to detect patterns of abnormal behaviour and possible manipulative trading practices or *financial crime*, including producing alerts indicating activities requiring further analysis;
- (4) permit the *Pisces operator* to analyse and consider whether an order or transaction could constitute conduct that would be an offence under sections 89 (Misleading statements) and 90 (Misleading impressions) of the Financial Services Act 2012 and include appropriate processes for reporting such conduct to the *FCA*; and
- (5) enable members to notify the *Pisces operator* of potential rule breaches or conduct that would be an offence under sections 89 (Misleading statements) and 90 (Misleading impressions) of the Financial Services Act 2012.

## 4.7 Disciplinary arrangements

4.7.1 G When considering the measures they have put in place to prevent manipulative market practices occurring on their market, *Pisces operators* should note the disciplinary arrangements referred to in PS 3.4.

## 4.8 Reporting manipulative trading practices

- 4.8.1 G In addition to monitoring transactions with a view to detecting manipulative trading practices, *Pisces operators* are required to report the occurrence of such practices to the *FCA* under relevant reporting requirements.
- 4.8.2 G *Pisces operators* should note in particular the reporting requirement in *MAR* 5.6.1R with respect to significant breaches of their rules, including the *rules* in this chapter, any disorderly trading conditions and conduct that may involve an offence under sections 89 (Misleading statements) and 90 of the Financial Services Act 2012 (Misleading impressions).
- 4.8.3 G If a *Pisces operator* knows or suspects, or has reasonable grounds for knowing or suspecting, that criminal conduct has occurred, it should report such conduct to the *FCA* under *MAR* 5.6.1R.
- 4.8.4 G A *Pisces operator* should make its reports using a Market Observation Form, accessed through this webpage: [How to report suspected market abuse as a firm or trading venue | FCA](#).
- 4.8.5 G *Pisces operators* that are *firms* should further note the following reporting requirements that will apply to them:
- (1) *Principle* 11 (with respect to disclosing to the *FCA* appropriately anything relating to the *firm* of which the *FCA* would reasonably expect notice); and
  - (2) *SUP* 15 (with respect to general notification requirements).
- 4.8.6 G *Pisces operators* that are *UK RIEs* should further note the following provisions that apply to them and which could also be relevant to the reporting of manipulative trading practices (as modified in *PS* where relevant):
- (1) *REC* 2.10.3G regarding *financial crime* in particular;
  - (2) *REC* 3.21R (regarding the reporting of criminal offences); and
  - (3) *REC* 3.25R (regarding the reporting of breaches of rules).

## 4.9 Record keeping

- 4.9.1 R A *Pisces operator* must keep at the disposal of the *FCA*, for at least 5 years, the relevant data relating to all orders in *admitted Pisces shares* which are advertised through its systems.
- 4.9.2 R The records must contain the relevant data that constitute the characteristics of the order, including those that link an order with the executed transaction(s) that stems from that order.
- 4.9.3 R The relevant data must be made available to the *FCA* using data standards and formats established in UK Commission Delegated Regulation 2017/580 (as amended or replaced) and include all the relevant details referred to in the Annex of that Regulation.

- 4.9.4 G *PS 4.9.1R to PS 4.9.3R* do not alter the application of the existing general requirements for record keeping where applicable, including *SYSC 9.1.1AR* and paragraph 4(2)(e) of the Schedule to the *Recognition Requirements Regulations* insofar as applicable.

#### 4.10 Market interventions to prevent the occurrence of manipulative market practices

- 4.10.1 G Where a *Pisces operator* becomes aware of manipulative market practices, or attempts at manipulative market practices, it should consider the full range of interventions it may make to protect the fair and orderly operation of the *Pisces* and the integrity of its market, including postponing, suspending or terminating the *Pisces trading event* in accordance with *PS 3.5.1R*.

#### 4.11 Financial intermediaries' obligations regarding manipulative market practices

- 4.11.1 G Members of a *Pisces* and *firms* carrying on activities in respect of *admitted Pisces shares* also play a key role in protecting against manipulative market practices occurring on a *Pisces*.
- 4.11.2 G Persons referred to in *PS 4.11.1G* are referred in particular to *SYSC 6.1.1R*, *FCG 8* (regarding potentially criminal behaviour) and more generally *Principle 1* (Integrity) and *Principle 5* (Market conduct).
- 4.11.3 G Where a member or *firm* has suspicions of activities that may be an offence under sections 89 (Misleading Statements) or 90 (Misleading Impressions) of the Financial Services Act 2012, those suspicions can be notified to the *FCA* using the Market Observation Form, accessed through this webpage: [How to report suspected market abuse as a firm or trading venue | FCA](#).
- 4.11.4 G Where applicable, *firms* should also note, of particular relevance to this chapter:
- (1) Article 74 of the *MiFID Org Regulation* with regards to keeping records of client orders and decisions to deal; and
  - (2) *COBS 11.7A* with respect in particular to the misuse of information relating to pending client orders and Article 67(3) of the *MiFID Org Regulation*.

## 5 Promotion and distribution of admitted Pisces shares

### 5.1 Application and interpretation

#### Application

- 5.1.1 R This chapter applies:
- (1) to a *firm*:

- (a) *communicating a financial promotion* (other than an *excluded communication*) or *approving a financial promotion* that is addressed to, or disseminated in such a way that it is likely to be received by, a *retail client* inside the *United Kingdom*; or
    - (b) distributing an *admitted Pisces share* in or from the *United Kingdom* to a *retail client*;
  - (2) in connection with a *Pisces trading event*; and
  - (3) where the *retail client* is:
    - (a) an individual; and
    - (b) a potential investor in the *Pisces trading event*.
- 5.1.2 R The application of certain *rules* in this chapter is modified to apply only to particular activities in *PS 5.1.1R*.
- 5.1.3 R This chapter does not apply to a *Pisces operator*.
- 5.1.4 R This chapter does not apply to the activities of a *firm* in relation to a *retail client* which relate exclusively to the sale of *shares* in a *Pisces trading event*.
- 5.1.5 G Although this chapter does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the *Act*).

#### Interpretation

- 5.1.6 R For the purposes of this chapter:
- (1) references to an *admitted Pisces share* include a *share* in a *Pisces company* which is intended to be admitted to trading on a *Pisces*; and
  - (2) 'distribute' means offering, *selling*, *arranging*, *dealing* or proposing an *admitted Pisces share*.

#### Rights of action for damages

- 5.1.7 G Contravention of the *rules* in this chapter by an *authorised person* may be actionable under section 138D of the *Act* (Actions for damages) by a *person* who suffers loss as a result of that contravention.

## 5.2 Purpose

- 5.2.1 G *PS 6.11.1R* disapplies *COBS 4.12A*, *COBS 10* and *COBS 10A* with respect to the promotion and distribution of *admitted Pisces shares*. The *rules* in this

section apply in place of those provisions to regulate the promotion and distribution of *admitted Pisces shares*.

- 5.2.2 G The *rules* in this chapter:
- (1) require that any *financial promotion* to *retail clients* relating to an *admitted Pisces share* includes a prescribed form of risk warning;
  - (2) impose requirements in relation to the distribution of an *admitted Pisces share* to *retail clients*;
  - (3) require that:
    - (a) a *financial promotion* which relates to an *admitted Pisces share* does not offer to any *retail client* any form of incentive; and
    - (b) a *firm* distributing an *admitted Pisces share* does not offer, provide or facilitate any form of incentive to a *retail client*; and
  - (4) apply only in relation to *retail clients* who are individuals.
- 5.2.3 G The requirements imposed on a *firm* by this chapter are in addition to those imposed by the *Pisces sandbox regulations*.
- 5.2.4 G The purpose of the *rule* on incentives (*PS 5.3.2R*) is to ensure that *retail clients* are not persuaded or incited to *deal* in an *admitted Pisces share* other than by reference to its investment features.

### 5.3 Incentives

#### Application

- 5.3.1 R This section applies in accordance with *PS 5.1.1R*.

#### Restrictions on monetary and non-monetary incentives

- 5.3.2 R (1) A *firm* must not *communicate* or *approve* a *financial promotion* which relates to an *admitted Pisces share* and which offers to a *retail client* any monetary or non-monetary incentive.
- (2) When distributing an *admitted Pisces share*, a *firm* must not offer, provide or facilitate any monetary or non-monetary incentive to a *retail client*.

#### Guidance

- 5.3.3 G For the purpose of *PS 5.3.2R*, monetary and non-monetary incentives include, but are not limited to:



- (1) offering bonuses when investing in an *admitted Pisces share*;
  - (2) offering bonuses where the *retail client* refers another *person*;
  - (3) offering cashback when investing in an *admitted Pisces share*;
  - (4) offering discounts or rebates on fees paid that are linked to volumes of trades made in an *admitted Pisces share*;
  - (5) offering free gifts once an investment in an *admitted Pisces share* has been made, such as laptops or mobile telephones; or
  - (6) offering any additional free *investments* or offering discounts on *investments*.
- 5.3.4 G (1) Information and research tools do not constitute non-monetary incentives.
- (2) Lower fees or charges not linked to volumes of trades, made available to all *retail clients*, do not constitute a monetary incentive.
- 5.3.5 G Subject to *PS 5.3.3G* and *PS 5.3.4G*, the following factors are otherwise relevant in determining whether a benefit is an incentive:
- (1) A benefit which is intrinsically connected with an *admitted Pisces share* is unlikely to constitute an incentive – for example, voting rights which are carried by a share. However, a benefit which is entirely separable from the investment in an *admitted Pisces share* is likely to be an incentive.
  - (2) A benefit which is only available for a fixed period of time, or is contingent upon investing in an *admitted Pisces share* in the future, is likely to constitute an incentive. This would not include, for example, a benefit which is offered in connection with a specified event, such as a *Pisces trading event*.
  - (3) A benefit which is only available to *retail clients* who invest through a particular medium is likely to constitute an incentive – for example, a benefit which is only offered to *retail clients* who invest via a social media link.
- 5.3.6 G The rationale for offering the incentive is immaterial.

## 5.4 Risk warning

### Application

- 5.4.1 R This section applies to a *firm communicating or approving a financial promotion* in accordance with *PS 5.1.1R*.
- 5.4.2 G The requirements in this section relating to the provision of risk warnings are in addition, and without prejudice, to a *firm's* other obligations in relation to the provision of information.

Risk warning

- 5.4.3 R A *firm* must not *communicate or approve a financial promotion* which relates to an *admitted Pisces share*, unless it contains a risk warning that complies with *PS 5.4.4R*.
- 5.4.4 R (1) For the purposes of *PS 5.4.3R*, the *financial promotion* must contain the following risk warning:

**Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong.**

- (2) Where the number of characters contained in the risk warning in (1) exceeds the number of characters permitted by a third-party marketing provider, the following risk warning must be used:

**Don't invest unless you're prepared to lose all the money you invest.**

- (3) Where the *financial promotion* is, or is to be, *communicated* by way of a website, mobile application or other digital medium:
- (a) the risk warning in (1) or (2) must also include a link:
- (i) in the form of the text: **Take 2 mins to learn more;**  
and
- (ii) which, when activated, delivers the risk summary in *PS 5 Annex 1R* in a pop-up box (or equivalent); and
- (b) the link required by (3)(a) need not be:
- (i) in the form required by (3)(a)(i) if the inclusion of that additional text would exceed the number of characters permitted by a third-party marketing provider; or

- (ii) provided if the medium of communication does not allow the incorporation of a link.
- (4) Where the *financial promotion* is *communicated* other than by way of a website, mobile application or other digital medium (and including where the *financial promotion* is a *real time financial promotion*) the risk warning in (1) must be:
  - (a) provided:
    - (i) in a *durable medium*; or
    - (ii) if the medium of communication means that the risk warning cannot be provided in a *durable medium*, in a manner appropriate to the medium of communication; and
  - (b) however the *financial promotion* is *communicated*, accompanied by the risk summary in *PS 5 Annex 1R* in a *durable medium*, unless it is not possible to obtain the information necessary to enable the risk summary to be provided in a *durable medium*.
- (5) The risk warning required by (1) or (2) and the risk summary required by (4)(b) must comply with *PS 5.6.1R* and *PS 5.6.3R*.
- (6) The risk summary required by (3)(a)(ii) must comply with *PS 5.6.5R* and *PS 5.6.7R*.
- 5.4.5 G (1) Even where it is not possible to provide a risk warning in a *durable medium* (for example, because the *financial promotion* is a *real time financial promotion*), the recipient of the *financial promotion* must still ordinarily be provided with the risk summary in *PS 5 Annex 1R* in a *durable medium* at or around the time that the *financial promotion* is *communicated* (*PS 5.4.4R(4)(b)*).
- (2) It is unlikely to be possible to comply with *PS 5.4.4R(4)(b)* where the *financial promotion* is *communicated* by means of (without limitation) an audio or audiovisual medium. In such a case, the *financial promotion* must still include the relevant risk warning specified in *PS 5.4.4R(1)*.

## 5.5 Distribution of admitted Pisces shares

- 5.5.1 R This section applies:
  - (1) to a *firm* distributing an *admitted Pisces share* in accordance with *PS 5.1.1R*; and

- (2) in relation to a potential *Pisces investor* that is a *client* of the *firm*.
- 5.5.2 R (1) Subject to (2), a *firm* must not distribute an *admitted Pisces share* to a *retail client* unless the conditions in *PS 5.5.4R* (personalised risk warning), *PS 5.5.5R* (categorisation), *PS 5.5.14R* (appropriateness) and *PS 5.5.27R* (cooling off period) have been satisfied.
- (2) The condition in *PS 5.5.27R* (cooling off period) need not be satisfied if the *retail client* has previously purchased an *admitted Pisces share* through the same *firm* as would otherwise need to satisfy it.
- (3) *PS 5.5.5R* does not apply if a *firm* is satisfied on reasonable grounds that those conditions have been satisfied by another *authorised person* in relation to the distribution of the relevant *admitted Pisces share*.
- 5.5.3 G The effect of *PS 5.5.1R* and *PS 5.5.2R* and related provisions in this section is that:
- (1) the *rules* in this section are relevant to a *firm* that has a *client* relationship with a potential *Pisces investor* who is an individual and a *retail client*;
- (2) a cooling off period is only required on the first occasion that a *firm* distributes an *admitted Pisces share* of any description to a particular *retail client*; and
- (3) an *admitted Pisces share* can only be distributed to a *qualifying individual* who has a current statement (completed and signed within the period of 12 *months* ending on the day on which the order is likely to be executed) of a type falling within *PS 5.5.10R*.

First condition: personalised risk warning

- 5.5.4 R (1) The first condition is that, before distributing an *admitted Pisces share*, the *firm*:
- (a) obtains the *retail client's* full name; and
- (b) having obtained the *retail client's* name, communicates to that *retail client* the following personalised risk warning:

**[Client name], this is a high-risk investment. How would you feel if you lost the money you're about to invest? Take 2 mins to learn more.**

- (2) If communicated by means of a website, mobile application or other digital medium, the personalised risk warning in (1)(b) must:
  - (a) be clearly brought to the *retail client's* attention by means of a pop-up box (or equivalent);
  - (b) include a link which, when activated, delivers the risk summary in *PS 5 Annex 1R* in a further pop-up box (or equivalent); and
  - (c) be accompanied by an invitation to the *retail client* to specify whether they wish to continue or leave the investment journey.
- (3) If communicated other than by means of a website, mobile application or other digital medium:
  - (a) the personalised risk warning in (1)(b) must be:
    - (i) provided to the *retail client*, omitting the words 'Take 2 mins to learn more'; and
    - (ii) accompanied by the risk summary in *PS 5 Annex 1R* in a *durable medium*; and
  - (b) the *retail client* must then be invited to specify whether they wish to continue or leave the investment journey.
- (4) The options to continue or leave the investment journey must be presented with equal prominence.
- (5) This condition:
  - (a) is only satisfied if the *retail client* specifies that they wish to continue the investment journey; and
  - (b) must be satisfied before steps are taken to satisfy the conditions in *PS 5.5.5R* (categorisation) and *PS 5.5.14R* (appropriateness).
- (6) The personalised risk warning required by (1)(b) and the risk summary required by (2)(b) must comply with *PS 5.6.5R* and *PS 5.6.7R*.
- (7) The risk summary required by (3)(a)(ii) must comply with *PS 5.6.1R* and *PS 5.6.3R*.

Second condition: categorisation

- 5.5.5 R (1) The second condition is that, before distributing an *admitted Pisces share*, the *firm* must establish on reasonable grounds:
- (a) the *retail client's* eligibility to invest in the *admitted Pisces share*; and
  - (b) if the *retail client* is a *qualifying individual* who does not fall within any other eligible group in PS 5.5.8G(2) to (4), that the *retail client* is a 'Pisces employee – restricted investor' in accordance with PS 5.5.10R.
- (2) A *retail client* is eligible to invest in an *admitted Pisces share* if they are a type of investor within regulation 4(3) of the *Pisces sandbox regulations*.

- 5.5.6 G (1) Where the potential *Pisces investor* is an individual *retail client*, PS 5.5.5R requires a *firm* to establish the eligibility of that individual to invest in the relevant *admitted Pisces share* before the *firm* distributes that *share* to that individual.
- (2) In addition, a *financial intermediary* must not place an order to buy an *admitted Pisces share* unless they believe on reasonable grounds when placing the order that the *person* will be a *Pisces investor* immediately before the order is executed.

[Note: Regulation 4(6) of the *Pisces sandbox regulations*]

- 5.5.7 G Depending on the circumstances, a *financial intermediary* may, in the course of determining the eligibility of a *retail client* for the purposes of PS 5.5.5R, establish the belief required by regulation 4(6) of the *Pisces sandbox regulations* that the *retail client* will be a *Pisces investor* immediately before execution of any resulting order.

- 5.5.8 G The following types of individual investor (other than *professional clients*) are eligible to invest in *admitted Pisces shares*:
- (1) a *qualifying individual*;
  - (2) a high-net-worth individual described in Article 48 of the Financial Services and Markets (Financial Promotion) Order 2005 (FPO);
  - (3) a self-certified sophisticated investor described in Article 50A of the FPO; or
  - (4) a sophisticated investor described in Article 50 of the FPO.

[Note: Regulation 4(3) of the *Pisces sandbox regulations*]

## Pisces employees

- 5.5.9 G A *qualifying individual* may only purchase shares in the *Pisces company* connected with their eligibility as a *Pisces investor*.

[**Note:** Regulation 4(3)(a) of the *Pisces sandbox regulations*]

- 5.5.10 R A Pisces employee – restricted investor is an individual:
- (1) who has completed and signed, within the period of 12 *months* ending with the day on which the order is likely to be executed, the statement in *PS 5 Annex 2R* (the ‘Pisces employee – restricted investor statement’); and
  - (2) whose completion of that statement indicates that they meet the criteria in that statement to be a Pisces employee – restricted investor.
- 5.5.11 G For the purpose of determining an employee’s eligibility as a *Pisces investor*, a *firm* may rely on a certified list of *qualifying individuals* supplied by the relevant *Pisces company*.

[**Note:** Regulation 4(7) of the *Pisces sandbox regulations*]

- 5.5.12 G Where the Pisces employee – restricted investor statement (*PS 5 Annex 2R*) refers to a restricted investor not investing more than 10% of their net assets, this refers to the *retail client’s* aggregate investment across all types of high-risk investments (as defined in the Pisces employee – restricted investor statement).

## Third condition: appropriateness

- 5.5.13 G The third condition requires a *firm* to determine that the particular *admitted Pisces share* to be distributed is appropriate for a *retail client* before the *firm* distributes that share to that *retail client*. The *rules* and *guidance* are not prescriptive as to how such an assessment is undertaken. The condition is designed to ensure that *retail clients* are only able to invest in an *admitted Pisces share* if they have the knowledge and experience to understand the investment, particularly in relation to the risks. Appropriateness processes should be designed to this end.
- 5.5.14 R The condition is that the *firm* will only distribute an *admitted Pisces share* to a *retail client* after it has assessed that the particular *admitted Pisces share* to be distributed is appropriate for that *retail client* in compliance with the *rules* in this section (as applicable).
- 5.5.15 R A *firm* need not assess the appropriateness of an *admitted Pisces share* for a *retail client* if the *firm* is satisfied, on reasonable grounds, that the *retail client* will have received a *personal recommendation* in relation to that

*admitted Pisces share* (either from the *firm* itself or another *firm*) before any order is placed.

- 5.5.16 R In the course of providing information regarding their knowledge and experience for the purpose of the appropriateness assessment required by PS 5.5.14R, the *retail client* must not be provided with assistance, information, guidance or feedback which might affect the substance of the information that they provide.
- 5.5.17 R (1) This *rule* applies if:
- (a) an *admitted Pisces share* is assessed as not being appropriate for a particular *retail client*; and
  - (b) the assessment of appropriateness is based on a series of questions which the *retail client* is required to answer.
- (2) The *retail client* must not be informed of the particular answers which led to the *admitted Pisces share* being assessed as not appropriate for them.
- (3) Any further assessment of the appropriateness of that *admitted Pisces share* for that *retail client* must not be based on the same questions as were used for the purpose of a previous assessment of the appropriateness of that *admitted Pisces share* for that *retail client*.
- 5.5.18 R (1) This *rule* applies where a first and second assessment have both determined that an *admitted Pisces share* is not appropriate for a particular *retail client*.
- (2) Following the second, and each and every subsequent, determination that an *admitted Pisces share* is not appropriate for a *retail client*, any further assessment of the appropriateness of that *admitted Pisces share* for that *retail client* must not be undertaken for at least 24 hours.
- 5.5.19 G The effect of PS 5.5.14R to PS 5.5.18R is that a *firm* may only distribute an *admitted Pisces share* to a *retail client* where that *admitted Pisces share* has been assessed as being appropriate for that *retail client*.
- 5.5.20 G When gathering information regarding a *retail client's* knowledge and experience for the purpose of assessing whether an *admitted Pisces share* is appropriate for that *retail client*, the *firm* should:
- (1) avoid asking the *retail client* questions that invite binary (yes/no) answers;



- (2) if asking multiple-choice questions, use questions which offer at least 3 plausible answers (excluding the option to answer ‘do not know’, or similar); and
  - (3) ensure that questions address matters that are relevant to that *admitted Pisces share*.
- 5.5.21 G
- (1) A *retail client* should only be informed of the outcome of an appropriateness assessment once they have provided all of the information required for the assessment to be undertaken.
  - (2) PS 5.5.17R(2) does not prevent a *retail client* from being informed of the broad reasons for which an *admitted Pisces share* was assessed not to be appropriate for them or of the nature of the deficiencies identified in their knowledge or experience. The *rule* is intended to prevent a *retail client* from being informed only of the questions within an assessment which led to an *admitted Pisces share* being assessed not to be appropriate such that the *retail client* is able simply to change their answer in any subsequent assessment without improving their own understanding.
  - (3) For the purposes of PS 5.5.17R(3), any questions used to undertake a further assessment of appropriateness should be sufficiently different such that the *retail client* could not simply infer the answers that would lead to an assessment of appropriateness from the outcome of their responses to a previous set of questions.
  - (4) A *firm* should consider whether the particular features of an *admitted Pisces share* mean that an interval of greater than 24 hours should be applied following a second assessment (and any subsequent assessment) that that *investment* is not appropriate for a *retail client* (PS 5.5.18R(2)).
  - (5) A *retail client* may be informed of the option to re-apply to participate in a *Pisces trading event* following a determination that the *admitted Pisces share* is not appropriate for them. However, the *retail client* should not be encouraged to do so.

#### Assessing appropriateness: the obligations

- 5.5.22 R
- (1) When distributing an *admitted Pisces share*, a *firm* must ask the *retail client* to provide information regarding their knowledge and experience to enable the *firm* to assess whether the *admitted Pisces share* is appropriate for them.
  - (2) When assessing appropriateness, the *firm* must determine whether the *retail client* has the necessary experience and knowledge in order to

understand the risks involved in investing in the particular *admitted Pisces share*.

- (3) A *firm* must warn the *retail client*:
  - (a) if the *firm* determines, on the basis of the information received to enable it to assess appropriateness, that an *admitted Pisces share* is not appropriate for the *retail client*; or
  - (b) that it is not in a position to determine whether an *admitted Pisces share* is appropriate for the *retail client*, if the *retail client* does not provide the information to enable the *firm* to assess appropriateness or if the *retail client* provides insufficient information regarding their knowledge and experience.

5.5.23 R The information regarding a *retail client's* knowledge and experience, includes information on:

- (1) the type of service, transaction and *investments* the *retail client* is familiar with;
- (2) the nature, volume and frequency of the *retail client's* investments (in particular, in unlisted securities) and the period over which they have been carried out; and
- (3) the level of education and profession or relevant former profession of the *retail client*.

5.5.24 R When assessing a *retail client's* knowledge and experience, a *firm*:

- (1) must not encourage a *retail client* not to provide information required for the purposes of its assessment of appropriateness;
- (2) is entitled to rely on the information provided by a *retail client* unless it is aware that the information is manifestly out of date, inaccurate or incomplete;
- (3) may use information it already has in its possession; and
- (4) depending on the circumstances, may be satisfied that the *retail client's* knowledge alone is sufficient for them to understand the risks involved. Where reasonable, a *firm* may infer knowledge from experience.

5.5.25 G If, before assessing appropriateness, a *firm* seeks to increase the *retail client's* level of understanding of *admitted Pisces shares* by providing information to

them, relevant considerations are likely to include the nature and complexity of the information and the *retail client's* existing level of understanding.

- 5.5.26 G When determining whether a *retail client* has the necessary knowledge to understand that risks involved in relation to an *admitted Pisces share*, a *firm* should consider asking the *retail client* questions that cover, at least, the matters in *PS 5 Annex 3G*.

Fourth condition: cooling off period

- 5.5.27 R The fourth condition is that, following an assessment that an *admitted Pisces share* is appropriate for the *retail client* (*PS 5.5.14R*), the *firm* allows a period of at least 24 hours (the ‘cooling off period’) to elapse before the *retail client* is allowed to place an order.

## 5.6 Requirements of risk warnings and non-digital risk summaries

- 5.6.1 R (1) The relevant risk warning in *PS 5.4.4R(1)* or (2) and the relevant risk summaries in *PS 5.4.4R(4)(b)* and *PS 5.5.4R(3)(a)(ii)* must:
- (a) be prominent, taking into account the content, size and orientation of the communication as a whole; and
  - (b) except where the risk warning cannot be provided in writing, be clearly legible, contained within its own border and with bold and underlined text as indicated in *PS 5.4.4R*.
- (2) The relevant risk warning in *PS 5.4.4R(1)* or (2) must, if the communication is, or is to be, communicated by means of:
- (a) a website or mobile application:
    - (i) be statically fixed and visible at the top of the screen, below anything else that also stays static, even when the *retail client* scrolls up or down the webpage; and
    - (ii) be included as described in (i) on each linked webpage on the website or page on the application relating to the *admitted Pisces share*;
  - (b) a television broadcast, be prominently fixed on the screen for the duration of the broadcast.
- 5.6.2 G (1) The *FCA* expects *firms* to take account of the latest version of the [international Web Content Accessibility Guidelines \(WCAG\) accessibility standard](#) when designing digital marketing material and, in particular, how the risk warning will be displayed.

- (2) *Firms* should have regard to the intended or likely recipients of a communication. Where a *firm* considers that such *persons* are unlikely to have a good understanding of the English language, a risk warning or risk summary required by the *rules* in this section should be provided in an appropriate language in addition to English.

5.6.3 R The communication must not contain any design feature which has the intent or effect of reducing the visibility or prominence of the risk warning or risk summary.

5.6.4 G For the purposes of *PS* 5.6.3R, design features which might reduce the visibility or prominence of a risk warning or risk summary include, but are not limited to:

- (1) using a font size for the risk warning or risk summary that is smaller than the standard size used in the communication;
- (2) using a background colour that does not sufficiently contrast the text or makes it difficult for the *retail client* to read the text;
- (3) fading the text of the risk warning or risk summary;
- (4) placing the risk warning or risk summary at the bottom of the communication or embedding it within other standard information, such as legal information or the *firm's* contact details;
- (5) requiring additional links to be clicked in order for the full text of the risk warning to be seen;
- (6) using a font or background in the risk warning or risk summary in the same colours as the *firm's* brand, or using a font or background in the same colours as the rest of the marketing material; and
- (7) using a font or background in the risk warning or risk summary in the same colour as other forms of disclosure and standard information. The colour of the font and background should distinguish the risk warning or risk summary from other forms of information.

#### Requirements of digital personalised risk warnings and digital risk summaries

5.6.5 R The relevant personalised risk warning in *PS* 5.5.4R(2) and the relevant risk summaries in *PS* 5.4.4R(3)(a)(ii) and *PS* 5.5.4R(2)(b) must be:

- (1) prominently brought to the *retail client's* attention, taking into account the content, size and orientation of the communication as a whole;

- (2) clearly legible, contained within its own border and with bold and underlined text as indicated in *PS 5.5.4R(1)(b)*;
  - (3) statically fixed and visible in the middle of the screen; and
  - (4) the main focus of the screen.
- 5.6.6 G (1) The *FCA* expects *firms* to take account of the latest version of the [international Web Content Accessibility Guidelines \(WCAG\) accessibility standard](#) when designing digital communications and, in particular, how the personalised risk warning or risk summary will be displayed.
- (2) *Firms* should have regard to the intended or likely recipients of a communication. Where a *firm* considers that such *persons* are unlikely to have a good understanding of the English language, a risk warning or risk summary required by the *rules* in this section should be provided in an appropriate language in addition to English.
- 5.6.7 R The communication must not contain any design feature which has the intent or effect of reducing the visibility or prominence of the personalised risk warning or risk summary.
- 5.6.8 G For the purposes of *PS 5.6.7R*, design features which might reduce the visibility or prominence of a personalised risk warning or risk summary include, but are not limited to:
- (1) using a font size for the personalised risk warning or risk summary that is smaller than the standard size used in the marketing material;
  - (2) using a background colour that does not sufficiently contrast the text or makes it difficult for the *retail client* to read the text;
  - (3) fading the text of the personalised risk warning or risk summary;
  - (4) placing the personalised risk warning or risk summary at the bottom of the marketing material or embedding it within other standard information, for example legal information or the *firm's* contact details;
  - (5) requiring additional actions to be taken by the *retail client*, such as requiring additional links to be clicked in order for the full text of the personalised risk warning or risk summary to be seen;
  - (6) using a font or background in the risk warning in the same colours as the *firm's* brand, or using a font or background in the same colours as the rest of the marketing material; and

- (7) using a font or background in the risk warning in the same colour as other forms of disclosure and standard information. The colour of the font and background should distinguish the personalised risk warning or risk summary from other forms of information.

#### Risk summaries

- 5.6.9 R Where a *rule* in this chapter requires a *firm* to provide a risk summary, the *firm* must either:
- (1) provide the risk summary as it appears in *PS 5 Annex 1R*; or
  - (2) provide a version of the risk summary in *PS 5 Annex 1R* in appropriately amended form, provided that:
    - (a) the *firm* has a valid reason for each amendment;
    - (b) the *firm* makes a record of each amendment and the reason for it;
    - (c) any alternative or additional text is in plain English; and
    - (d) the amended risk summary does not take longer than around 2 minutes to read.
- 5.6.10 G For the purposes of *PS 5.6.9R(2)*, the following reasons are considered to be valid:
- (1) the relevant part of the risk summary in *PS 5 Annex 1R* would be misleading in relation to the particular *admitted Pisces share*;
  - (2) the relevant part of the risk summary in *PS 5 Annex 1R* would be irrelevant in relation to the particular *admitted Pisces share*;
  - (3) the risk summary in *PS 5 Annex 1R* does not include a risk that is relevant to the particular *admitted Pisces share* and it is appropriate for that further risk to be included;
  - (4) the sole purpose of the relevant statement in the risk summary is to include a hyperlink to a webpage and the medium of communication does not permit the incorporation of a link.

This list is not exhaustive.

## 5.7 Record keeping

- 5.7.1 G A *firm* which is subject to the requirements in this chapter relating to the *communication or approval of financial promotions* must comply with the record keeping requirements in *COBS 4.11*.

- 5.7.2 R (1) This *rule* applies to a *firm* that distributes an *admitted Pisces share* and to which *PS 5.5.1R* applies.
- (2) A *firm* must make an adequate record of:
- (a) the categorisation of each *retail client* (*PS 5.5.5R*) and the evidence obtained in support of that categorisation; and
  - (b) where an appropriateness assessment is undertaken (*PS 5.5.14R*):
    - (i) the total number of assessments undertaken;
    - (ii) the number of assessments resulting in a determination that the investment in the *admitted Pisces share* was appropriate;
    - (iii) the number of assessments resulting in a determination that the investment in the *admitted Pisces share* was not appropriate;
    - (iv) in respect of each *retail client*, the outcome of the appropriateness process; and
    - (v) in respect of each *retail client*, the number of times that *retail client* was subject to an appropriateness assessment.

5.7.3 R A *firm* must retain the records required by this section for 5 years.

5.7.4 R Where a *firm* is required by *PS 5.6.9R(2)(b)* to maintain a record of its grounds for using an alternative form of risk summary, it must retain the record of its decision for 5 years.

## **5 Annex Risk summary for admitted Pisces shares**

### **1**

5 Annex R This Annex belongs to *PS 5.4.4R* and *PS 5.5.4R*.

#### 1.1

In relation to the web addresses in square brackets in the risk summary in this Annex:

- where the risk summary is provided through a digital medium, this web address and square brackets should be omitted, and the preceding underlined text should link to the web address specified in the square brackets; and

- where the risk summary is provided through a non-digital medium, this web address and square brackets should be omitted and *firms* should amend the text to make it appropriate for the non-digital setting, pointing the reader to the relevant web address.

Where this risk summary requires a link to the ‘market risk warning’, this is a reference to the market risk warning in *PS 3.7.1R* and:

- where the risk summary is provided through a digital medium, the words in square brackets should be omitted, and the preceding underlined text should include a link which, when activated, delivers the market risk warning in a further pop-up box (or equivalent); and
- where the risk summary is provided through a non-digital medium, the words in square brackets should be omitted and *firms* should amend the text to make it appropriate for the non-digital setting and provide the market risk warning alongside the risk summary in a *durable medium*.

#### **Estimated reading time: 2 min**

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

#### **What are the key risks?**

##### **1. You could lose all the money you invest**

- If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail within five years.

##### **2. You are unlikely to be protected if something goes wrong**

- Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker [here](https://www.fscs.org.uk/check/investment-protection-checker/). [https://www.fscs.org.uk/check/investment-protection-checker/]
- Protection from the Financial Ombudsman Service (the Ombudsman) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, the Ombudsman may be able to consider it. Learn more about protection from the Ombudsman [here](https://www.financial-ombudsman.org.uk/consumers). [https://www.financial-ombudsman.org.uk/consumers]

##### **3. It may be difficult to sell your shares in future**

- You may not be able to sell your shares via this platform in future if the company in which you invested decides not to provide a future trading window.



- This platform provides intermittent trading events of limited duration. Once this trading window ends, you will not be able to buy or sell shares on this platform until the next trading event (if any).
- This is also not a permanent trading platform. It will be for the government to decide whether to make this type of platform permanent. You will not be able to sell your shares via this platform if the platform comes to an end.
- This type of platform has not been tested before so there may be risks we have not anticipated. This is not a complete list of all the risks you may be exposed to.
- Buying shares through this temporary trading platform is riskier than buying publicly listed shares that are traded on an exchange.

**For more information about the risks of trading via this platform, please read this further risk warning [here](#) [Link to market risk warning].**

#### **4. You won't get your money back quickly and may not get your money back at all**

- Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early and you should not expect to get your money back through dividends.
- If you are unable to sell your shares through this platform, you will have to find another way to sell your shares, including by finding a buyer yourself. You may not be able to sell your shares.
- You might also have an opportunity to get your money back if the business is bought by another business or the company's shares are made available for regular trading on an exchange. This is not common.

#### **5. Don't put all your eggs in one basket**

- Putting all your money into a single business or type of investment is risky. Spreading your money across different investments makes you less dependent on any one to do well.
- A good rule of thumb is not to invest more than 10% of your money in [high-risk investments](#). [<https://www.fca.org.uk/investsmart/5-questions-ask-you-invest>]

#### **6. The value of your investment can be reduced and it may be worth nothing if the business fails**

- The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. For example, most start-up and some younger businesses issue multiple rounds of shares.

- These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

**If you are interested in learning more about how to protect yourself, visit the FCA's website [here](https://www.fca.org.uk/investsmart). [https://www.fca.org.uk/investsmart]**

**5 Annex Restricted investor statement for Pisces employees**

**2**

5 Annex R This Annex belongs to *PS 5.5.10R*.

**2**

**PISCES EMPLOYEE - RESTRICTED INVESTOR STATEMENT**

Putting all your money into a single business or type of investment is risky. Spreading your money across different investments makes you less dependent on any one to do well.

You should not invest more than 10% of your net assets in high-risk investments. Doing so could expose you to significant losses.

For the purposes of this statement, **net assets do NOT include:** your home (primary residence), your pension (or any pension withdrawals) or any rights under qualifying contracts of insurance.

For the purposes of this statement **high-risk investments are:** admitted Pisces shares; peer-to-peer (P2P) loans; investment based crowdfunding; units in a long-term asset fund; cryptoassets (such as bitcoin); and unlisted debt and equity (such as in companies not listed on an exchange).

Please confirm whether you qualify as a restricted investor on the basis that **A and B** apply to you.

A) In the **past twelve months** have you invested less than 10% of your net assets in high-risk investments (as defined above)?

Yes (I have invested **less** than 10% of my net assets)

No (I have invested **more** than 10% of my net assets)

If yes, over the last twelve months roughly what percentage of your net assets have you invested in high-risk investments (as defined above)?

\_\_\_\_\_

**And**

B) In the **next twelve months** do you intend to limit your investment in high-risk investments (as defined above) to less than 10% of your net assets?

Yes (I intend to invest **less** than 10% of my net assets)

No (I intend to invest **more** than 10% of my net assets)

If yes, in the next twelve months roughly what percentage of your net assets do you intend to invest in high-risk investments (as defined above)?

\_\_\_\_\_

**I accept that being a restricted investor will expose me to investments where there is a risk of losing all the money I invest.** I am aware that I can seek professional advice before making any investment in a high-risk investment.

Signature:

Date:

## 5 Assessing appropriateness: admitted Pisces shares

### Annex

#### 3

5 G This Annex belongs to PS 5.5.26G.

### Annex

#### 3.1

When determining whether a *retail client* has the necessary knowledge to understand the risks involved in relation to an *admitted Pisces share*, a *firm* should consider asking the *retail client* questions that cover at least the following matters:

- (1) the nature of the *retail client's* contractual relationship with the *issuer* and any underlying beneficiaries of the investment;
- (2) the possibility that the *retail client* could lose all the money they invest;
- (3) the nature of the test trading platform (through which the *retail client* invests) and its limitations, including that it is temporary and untested;
- (4) the risk of failure of the *issuer* and the associated risk of losing all of the money invested;
- (5) the regulated status of the investment activity, including that the issuance of unlisted *securities* does not ordinarily involve *regulated activity* and the implications in relation to *FCA* regulation;
- (6) the extent to which the protection of the *Financial Ombudsman Service* or *FSCS* apply to the investment activity (including the fact that these services do not protect investors against poor investment performance);
- (7) the potential illiquidity of *admitted Pisces shares* (including the unlikelihood or impossibility that the *retail client* will be able to sell the *security* and the nature of the mechanisms through which the *retail client* could be paid their money back);
- (8) the risk to any management and administration of the *retail client's* investment in the event of the *issuer* becoming insolvent or otherwise failing;
- (9) the role of the *issuer* (including its role in assessing and making underlying investments);
- (10) the benefits of diversification and that *retail clients* should not generally invest more than 10% of their net assets in high-risk investments; and
- (11) (a) the likelihood of dividend payments;

- (b) the risk of dilution from further issues of *shares* and the implications for the value of the *security*; and
- (c) the risk of any further issues of *shares* granting preferential rights that negatively impact existing investors and the implications for the value of the *security*.

## 6 Application of the Handbook

### 6.1 Application

- 6.1.1 G This chapter is relevant to any *person* seeking to understand how the *Handbook* applies under the *Pisces sandbox arrangements*.

### 6.2 Purpose

- 6.2.1 G The purpose of this chapter is to set out how existing *rules* and *guidance* apply to *persons* when they are participating in *Pisces sandbox arrangements* where not covered by other chapters.

- 6.2.2 G Specifically, this chapter:

- (1) explains the normal application of the *Handbook* under the *Pisces sandbox arrangements* where the application of *rules* or *guidance* has not otherwise been modified; and
- (2) makes modifications to the application of existing *rules* and *guidance* for the purposes of the *Pisces sandbox arrangements*.

### 6.3 Normal application of the Handbook in the Pisces sandbox arrangements

- 6.3.1 G The *rules* and *guidance* in the *Handbook* apply as normal unless specifically provided for in this sourcebook. The normal position is that:
- (1) the *Handbook* applies with respect to a *Pisces operator* as it ordinarily applies with respect to its *Part 4A permissions*, or, if the *Pisces operator* is an *exempt person*, as it ordinarily applies to an *exempt person* of the same kind; and
  - (2) as a *Pisces* is not treated as a *trading venue* under the *Pisces sandbox arrangements*, the *Handbook* applies in connection with *admitted Pisces shares* as it ordinarily applies in connection with *shares* that are not admitted to trading on a *trading venue*.
- 6.3.2 G The reference to an *exempt person*, in the *Pisces* context, specifically refers to a *person* who is exempt from the general prohibition with respect to a *regulated activity* under section 285(2) of the *Act*.

### 6.4 Modified application of rules: general points

- 6.4.1 G Regulation 9 of the *Pisces sandbox regulations* enables the *FCA* to make *rules* that:
- (1) provide for *rules* that are made by the *FCA* not to apply;
  - (2) provide for modifications in the application of such *rules*; and
  - (3) provide for the application of such *rules* (with or without modifications).
- 6.4.2 G *PS 6.7* to *PS 6.16* make such provision with respect to the sourcebooks/modules referred to therein.
- 6.4.3 G Some parts of the *Handbook*, namely the *Glossary*, *COLL* and *FEES*, have been directly amended as part of the *Pisces sandbox arrangements*, rather than being modified or disapplied and the amendments are set out in annexes to the Private Intermittent Securities and Capital Exchange System (*Pisces*) (Consequential Amendments) Instrument 2025.

## 6.5 Application of FCA guidance: general points

- 6.5.1 G Where modifications have been made to the application of an existing *rule* or statutory provision for the purposes of the *Pisces sandbox arrangements*, any *guidance* on that *rule* or provision should be read and applied in light of the relevant modifications.
- 6.5.2 G Where a *rule* or statutory provision has been disapplied for the purposes of the *Pisces sandbox arrangements*, any *guidance* on that *rule* or provision will not be relevant for those purposes.

## 6.6 Specific application, modifications to the application, and disapplication of the Handbook

- 6.6.1 R The application, modifications to the application of, and disapplication of sourcebooks (or particular *rules* or *guidance* thereof) set out at *PS 6.7* to *PS 6.16* apply, insofar as relevant, to:
- (1) *Pisces operators*; and
  - (2) a *person* described in regulation 4(1) of the *Pisces sandbox regulations* to the extent described in that regulation.
- 6.6.2 R References below to ‘with respect to a *Pisces*’ include with respect to a *Pisces operator* and with respect to *admitted Pisces shares*.
- 6.6.3 R References below to ‘with respect to an *MTF*’ include with respect to an operator of an *MTF* and with respect to *shares* admitted to trading on an *MTF*.

## 6.7 Application of PRIN

- 6.7.1 R The *rules* in *PRIN* apply with respect to a *Pisces* as they apply with respect to an *MTF*.
- 6.7.2 G The *guidance* in *PRIN* applies with respect to a *Pisces* as it does with respect to an *MTF*.
- 6.7.3 G The purpose of *PS 6.7.1R* and *PS 6.7.2G* is to ensure that a *Pisces* and activities carried on with respect to a *Pisces* are treated under *PRIN* as if a *Pisces* was an *MTF*. This includes, with regards to *PRIN 4*, ensuring that transactions concluded under the rules governing a *Pisces* between its members or participants, or between the *Pisces* and its members or participants in relation to the use of the *Pisces*, are treated in the same way as transactions concluded under the rules governing an *MTF* between members or participants of an *MTF* and between the *MTF* and its members or participants in relation to the use of the *MTF*.

## 6.8 Application of SYSC

- 6.8.1 R The *rules* in *SYSC* apply with respect to a *Pisces* as they apply with respect to an *MTF*.
- 6.8.2 G The *guidance* in *SYSC* applies with respect to a *Pisces* as it applies with respect to an *MTF*.
- 6.8.3 G The main purpose of *PS 6.8.1R* and *PS 6.8.2G* is to ensure that all *firms* that operate a *Pisces*, including any *MiFID optional exemption firms* when operating a *Pisces*, are treated as *common platform firms*. Where a *firm* operating a *Pisces* would anyway be treated as a *common platform firm*, these provisions make no difference.

## 6.9 Application of FEES

- 6.9.1 G Amendments to *FEES* are set out in Annex B to the Private Intermittent Securities and Capital Exchange System (*Pisces*) (Consequential Amendments) Instrument 2025.

## 6.10 Application of MIFIDPRU

- 6.10.1 R The *rules* in *MIFIDPRU* apply with respect to a *Pisces* as they apply with respect to an *MTF*.
- 6.10.2 G The *guidance* in *MIFIDPRU* applies to a *Pisces* as it does with respect to an *MTF*.
- 6.10.3 G The main purpose of *PS 6.10.1R* and *PS 6.10.2G* is to ensure that all *firms* that operate a *Pisces* are treated for prudential purposes, with respect to that activity, as if they have a *part 4A permission for operating a multilateral trading facility*, in particular where that would otherwise not be the case. This also means that *MiFIDPRU* also applies to *UK parent entities* and *parent undertakings* of such *firms*, even if it would otherwise not apply to them.

## 6.11 Application of COBS

- 6.11.1 R *COBS* 4.12A, *COBS* 10 and *COBS* 10A do not apply with respect to a *Pisces*.
- 6.11.2 G Instead, the conduct *rules* that apply to the distribution of *admitted Pisces shares*, and relevant communications, are set out in *PS* 5.
- 6.11.3 R Subject to *PS* 6.11.1R, the *rules* in *COBS* apply with respect to a *Pisces* as they do with respect to an *MTF*.
- 6.11.4 G The *guidance* in *COBS* applies with respect to a *Pisces* as it does with respect to an *MTF*.
- 6.11.5 G The purpose of *PS* 6.11.1R to *PS* 6.11.4G is to ensure a *Pisces* and activities carried on with respect to a *Pisces* are treated under *COBS* as if a *Pisces* was an *MTF*, other than under *COBS* 4.12A, *COBS* 10 and *COBS* 10A, which do not apply. This includes, with respect to paragraphs (2) and (3) of *COBS* 1 Annex 1R, ensuring that transactions concluded under the rules governing a *Pisces* between its members or participants, or between a *Pisces* and its members or participants in relation to the use of a *Pisces*, are treated in the same way as transactions concluded under the rules governing an *MTF* between members or participants of an *MTF* and between an *MTF* and its members or participants in relation to the use of the *MTF*.

## 6.12 Application of MAR

- 6.12.1 G The purpose of the modifications to the application of *MAR* 5 and *MAR* Schedule 5 is to apply *MAR* 5 (which implemented certain provisions of *MiFID* relating to *firms* operating *MTFs*) and *MAR* Schedule 5, in a modified way, to a *Pisces*.
- 6.12.2 G The purpose of the modifications to the application of *MAR* 5AA is to enable a *firm* to operate a *Pisces* which, in accordance with regulation 3(2) of the *Pisces sandbox regulations*, is a form of *multilateral system*, without that conflicting with the requirement in *MAR* 5AA that all *multilateral systems* need to be operated by *firms* as *MTFs* or *OTFs*.
- 6.12.3 R In the provisions of *MAR* 5 applied in this section, treat:
- (1) references to *MTFs* and *trading venues* as if they were references to a *Pisces*; and
  - (2) references to a *firm* as including a reference to a *Pisces operator*.
- 6.12.4 R The *rules* in *MAR* 5 and *MAR* 5AA that apply with respect to a *Pisces* are as follows (with modifications or additions where stated):
- (1) a new *MAR* 5.1.4R, to read as follows:



5.1.4	R	A contravention of the <i>rules</i> in <i>MAR 5</i> does not give rise to a right of action by a <i>private person</i> under section 138D of the <i>Act</i> (and each of the <i>rules</i> in <i>MAR 5</i> is specified under section 138D (3) of the <i>Act</i> as a provision giving rise to no such right of action).
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- (2) *MAR 5.3.1R*(1) to (4) and (6);
- (3) *MAR 5.3.1AR* (2) and (3), as if the word ‘*authorisation*’ in (3) were deleted and replaced with ‘the issuance of a *Pisces approval notice*’;
- (4) *MAR 5.3.1AR*(6), as if the text were deleted and replaced with:

(6)	provide a description of any material changes to the information previously submitted to the <i>FCA</i> which would be relevant to an assessment of the <i>Pisces operator</i> ’s compliance with its regulatory obligations to the <i>FCA</i> as soon as reasonably practical;
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- (5) *MAR 5.3A.1R*;
- (6) *MAR 5.3A.2R* (1) to (5);
- (7) *MAR 5.3A.5R*, as if the text in *MAR 5.3A.5R*(1) were deleted and replaced with:

(1)	temporarily halt or constrain trading on the <i>Pisces</i> if there is a significant price movement in an <i>admitted Pisces share</i> , in order to maintain fair and orderly markets; and
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- (8) *MAR 5.3A.11R*, as if:
- (a) the text in *MAR 5.3A.11R*(2) and *MAR 5.3A.11R*(3) were deleted and replaced with:

(2)	be the same and provide the same conditions to all users of the same type of services based on objective criteria. A <i>Pisces operator</i> may only establish different fee structures for the same type of services where those fee structures are based on non-discriminatory, measurable and objective criteria;
(3)	be sufficiently clear to allow users to predict the payable fees;

(b) a new *MAR* 5.3A.11R(4), (5) and (6) were inserted as follows:

(4)	not bundle individual services together;
(5)	be published in a form that sets out the objective criteria for the establishment of the fees and fee structures, together with execution fees, ancillary fees, rebates, incentives and disincentives in one comprehensive and publicly accessible document on their website; and
(6)	not offer their members or participants a fee structure, whereby once their trades exceed a given threshold, all of their trades benefit from a lower fee for a set period, including those trades that were executed prior to reaching that threshold.

(9) *MAR* 5.4.1R;

(10) *MAR* 5.5.1R, as if the reference to ‘*market abuse*’ were deleted and replaced with ‘an offence under section 89 (Misleading statements) and 90 (Misleading impressions) of the Financial Services Act 2012’;

(11) *MAR* 5.6.1R, as if the references to ‘*market abuse*’ were deleted and replaced with ‘an offence under section 89 (Misleading statements) and 90 (Misleading impressions) of the Financial Services Act 2012’;

(12) *MAR* 5.6.2R;

(13) *MAR* 5.6.3R;

(14) *MAR* 5.6A.1R(1), as if the words ‘which no longer complies with its rules’ were deleted and replaced with ‘in respect of which there has been a breach of its rules’; and

(15) *MAR* 5AA.1.1R as if the following words are added at the end: ‘or a *Pisces*’.

6.12.5 G *MAR* Schedule 5 applies with respect to a *Pisces*, as if the following row was added at the end of the table in *MAR* Sch 5.2G [*Editor’s note*: the header row of the table in *MAR* Sch 5.2G is displayed below for context]:

Chapter/ Appendix	Section/Annex	Paragraph	For private person?	Removed	For other person
<i>MAR</i> 5 (all <i>rules</i> )			Yes	Yes	No

applied as modified in PS 6)					
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- 6.12.6 G While *MAR 5.3.1R(5)* is not applied with respect to a *Pisces*, a *Pisces operator* will need to comply with the *rules* in *PS 2* regarding the requirement to put in place *Pisces disclosure arrangements*.
- 6.12.7 G With reference to *MAR 5.6.1R*, note Article 81 of the *MiFID Org Regulation*.
- 6.12.8 G With reference to *MAR 5AA.1.1R*, the *guidance* in *MAR 5AA.1.2G* applies equally to a *Pisces*.

### 6.13 Application of SUP

- 6.13.1 R The *rules* in *SUP* apply with respect to a *Pisces* as they do with respect to an *MTF*, other than *SUP 17A*.
- 6.13.2 G The *guidance* in *SUP* applies with respect to a *Pisces* as it does with respect to an *MTF*.
- 6.13.3 G The purpose of *PS 6.13.1R* and *PS 6.13.2G* is to ensure that a *Pisces* and activities done with respect to a *Pisces* are treated under *SUP* as if a *Pisces* was an *MTF*, other than in relation to *SUP 17A*, which is not relevant to *Pisces* because of the amendments to *MiFIR* under the *Pisces sandbox regulations*.

### 6.14 Application of COMP

- 6.14.1 R The *rules* in *COMP 5.5.1R* and *COMP 6.2.2AR* apply with respect to a *Pisces* as they do with respect to an *MTF*.

### 6.15 Application of COLL

- 6.15.1 G An amendment to *COLL* is set out in Annex C to the Private Intermittent Securities and Capital Exchange System (*Pisces*) (Consequential Amendments) Instrument 2025.

### 6.16 Application of REC

- 6.16.1 R The application of the *rules* in *REC* is modified, with respect to a *Pisces*, as follows:
- (1) in *REC 3.21.1R(2)*, delete the words ‘market abuse’ and replace with ‘conduct that would be an offence under section 89 (Misleading statements) and section 90 (Misleading impressions) of the Financial Services Act 2012’;
  - (2) delete *REC 3.21.1R(4)*; and

- (3) in *REC 3.25.1R* delete the words ‘*Market Abuse Regulation*’ and replace with ‘*Financial Services Act 2012*’.

6.16.2 G The *guidance* in *REC*, in its application with a respect to a *Pisces*, is to be read as if modified as follows:

- (1) in *REC 2.6.28G(1)*, delete the words ‘the *Market Abuse Regulation*’ and replace with ‘*PS 2* and *PS 4*’;
- (2) in *REC 2.10.3G*, delete ‘*market abuse* or’ and ‘*market abuse* and’ wherever they appear;
- (3) in *REC 2.12*, a new *REC 2.12.15G* were inserted as follows:

2.12.15	G	<i>PS 2</i> sets out the requirements for disclosure of information in connection with a <i>Pisces trading event</i> .
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- (4) in *REC 2.13.3G*, delete the words ‘*Market Abuse Regulation*’ and replace with ‘the *rules* and *guidance* in *PS 4*’; and
- (5) in *REC 2.15.4G(1)(b)*, the following words were inserted at the start: ‘take reasonable steps to’.

## App 1 Definitions

App 1.1 The following definitions are used in this sourcebook.

[*Editor’s note:* for the convenience of the reader, the following table includes definitions that are proposed to be added to the Glossary of definitions via the Private Intermittent Securities and Capital Exchange System (*Pisces*) (Consequential Amendments) Instrument 2025.]

admitted <i>Pisces</i> share	(in accordance with regulation 3(3) of the <i>Pisces sandbox regulations</i> ) a <i>share</i> in a <i>Pisces company</i> that is admitted to trading on a <i>Pisces</i> under the <i>Pisces sandbox arrangements</i> .	
financial intermediary	(in accordance with regulation 4(5) of the <i>Pisces sandbox regulations</i> ):	
	(1)	an <i>authorised person</i> ;
	(2)	a member <i>firm</i> or participant with access to a <i>Pisces</i> ; or
	(3)	an <i>appointed representative</i> .
<i>Pisces</i>	has the meaning in regulation 3(2) of the <i>Pisces sandbox regulations</i> .	

Pisces approval notice (PAN)	a notice issued under regulation 6(3) of the <i>Pisces sandbox regulations</i> approving a <i>person</i> described in regulation 3(4) to operate a <i>Pisces</i> .
Pisces company	(in accordance with regulation 2 of the <i>Pisces sandbox regulations</i> ) a <i>company</i> whose shares are, or are intended to be, traded intermittently under the <i>Pisces sandbox arrangements</i> .
Pisces company senior management	<i>persons</i> who exercise executive functions in a <i>Pisces company</i> and who are responsible and accountable to the management body for the day-to-day management of the <i>Pisces company</i> .
Pisces core disclosure information	the information set out at <i>PS 2.3.2R</i> .
Pisces disclosure arrangements	the arrangements put in place and overseen by the <i>Pisces operator</i> relating to the disclosure and communication of information required by <i>PS 2.2.1R</i> and <i>PS 2.2.2R</i> .
Pisces disclosure corrections	updates, corrections and information required by <i>PS 2.5.1R</i> .
Pisces disclosure information	the <i>Pisces core disclosure information</i> and any additional information communicated by or on behalf of the <i>Pisces company</i> through the <i>Pisces disclosure arrangements</i> .
Pisces information requests	requests for information made by a <i>person</i> entitled to access a <i>Pisces trading event</i> for the purposes of assisting them in making an investment decision in the <i>Pisces company's</i> <i>admitted Pisces shares</i> and which are made in accordance with the relevant <i>Pisces disclosure arrangements</i> .
Pisces investor	a <i>person</i> who intends to trade an <i>admitted Pisces share</i> .
Pisces operator	(in accordance with regulation 2 of the <i>Pisces sandbox regulations</i> ) a <i>person</i> in respect of whom an approval under regulation 6 of the <i>Pisces sandbox regulations</i> is in force.
Pisces post-trading event information	the information set out in <i>PS 2.7</i> .
Pisces regulated information	the <i>Pisces disclosure information</i> , the <i>Pisces disclosure corrections</i> and the <i>Pisces post-trading event information</i> .
Pisces sandbox arrangements	the financial market infrastructure sandbox arrangements provided for under the <i>Pisces sandbox regulations</i> .

Pisces sandbox regulations	the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System) Regulations 2025 [ <i>Editor's note: insert SI number</i> ].
Pisces trading event	a time-limited event during which trading in a particular <i>admitted Pisces share</i> can take place on a <i>Pisces</i> .
Pisces transparency data	the data to be provided in accordance with <i>PS 3.8</i> .
PS	the Pisces sourcebook.
qualifying individual	has the meaning set out in regulation 4(4) of the <i>Pisces sandbox regulations</i> .

## Appendix 2

# Draft PISCES Consequential Instrument

**PRIVATE INTERMITTENT SECURITIES AND CAPITAL EXCHANGE SYSTEM  
(PISCES) (CONSEQUENTIAL AMENDMENTS) INSTRUMENT 2025**

**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under the following:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 137T (General supplementary powers);
    - (b) section 139A (Power of the FCA to give guidance);
    - (c) section 247 (Trust scheme rules);
    - (d) section 261I (Contractual scheme rules); and
    - (e) paragraph 23 (Fees) in Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority); and
  - (2) regulation 6 (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on [date].

**Amendments to the Handbook**

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Collective Investment Schemes sourcebook (COLL)	Annex C

**Notes**

- E. In the Annex to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

**Citation**

- F. This instrument may be cited as the Private Intermittent Securities and Capital Exchange System (Pisces) (Consequential Amendments) Instrument 2025.



By order of the Board  
[*date*]

**Annex A****Amendments to the Glossary of definitions**

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

*Pisces company* (in accordance with regulation 2 of the *Pisces sandbox regulations*) a *company* whose shares are, or are intended to be, traded intermittently under the *Pisces sandbox arrangements*.

*Pisces operator* (in accordance with regulation 2 of the *Pisces sandbox regulations*) a *person* in respect of whom an approval under regulation 6 of the *Pisces sandbox regulations* is in force.

*Pisces sandbox arrangements* the financial market infrastructure sandbox arrangements provided for under the *Pisces sandbox regulations*.

*Pisces sandbox regulations* the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System) Regulations 2025 [*Editor's note*: insert SI number].

## Annex B

### Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text.

#### 3 Application, Notification and Vetting Fees

...

#### 3 Annex 1R Authorisation fees payable

...

Part 2 – Pricing categories applicable to applications made in the following activity groupings in the A, B, C, CC and CMC fee blocks

Activity grouping	Description	Applicable pricing category in FEES 3 Annex 1AR
...		
B.	<i>MTF operators and OTF operators</i>	8
<u>B.</u>	<u><i>Pisces operators</i></u>	<u>6</u>
...		

...

## Annex C

### Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 5 Investment and borrowing powers

...

#### 5.2 General investment powers and limits for UCITS schemes

...

Transferable securities and money-market instruments generally to be admitted to or dealt in on an eligible market

##### 5.2.8 R ...

(3) ~~Transferable securities~~ Subject to (5), transferable securities and approved money-market instruments held within a UCITS scheme must be:

...

(4) However, a UCITS scheme may invest no more than 10% of the scheme property in transferable securities and approved money-market instruments other than those referred to in (3).

(5) Shares in a Pisces company do not fall within (3).

...

5.2.8A G The purpose of COLL 5.2.8R(5) is to ensure that a UCITS scheme can invest in shares in a Pisces company only within the 10% limit for investing in transferable securities which are not approved securities.

...

#### 5.6 Investment powers and borrowing limits for non-UCITS retail schemes

...

Eligibility of transferable securities and money-market instruments for investment by a non-UCITS retail scheme

5.6.5 R Transferable securities and money-market instruments held within a non-UCITS retail scheme must:

(1) subject to COLL 5.6.5-AR:

- (a) be admitted to or *dealt* in on an *eligible* market within *COLL* 5.2.10R (Eligible markets: requirements); or

...

...

5.6.5-A    R    Shares in a *Pisces* company do not fall within *COLL* 5.6.5R(1).

5.6.5-B    G    The purpose of *COLL* 5.6.5-AR is to ensure that a *non-UCITS* retail scheme can invest in *shares* in a *Pisces* company only within the 20% limit for investing in *transferable securities* which are not *approved securities*.

...

