

## **Policy Statement**

### **PS25/6**

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# Private Intermittent Securities and Capital Exchange System: Sandbox Arrangements

**June 2025**

## This relates to

Consultation Paper 24/29 which is available on our website at [www.fca.org.uk/publications](http://www.fca.org.uk/publications)

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## Chapter 1

# Summary

### Background to PISCES

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- 1.1** PISCES is a new type of share trading platform. It allows buyers and sellers of shares in private companies to trade those shares during intermittent trading periods. Companies using a PISCES platform can decide when their shares can be traded, who is allowed to buy them and at what price, and who can get information about the company or any transactions in its shares.
- 1.2** PISCES aims to be an innovative, flexible, efficient and effective solution for private companies to allow investors to buy and sell their shares in a trading event. PISCES will allow private companies to reach a broader range of investors, supporting investment in growth companies and boosting the competitiveness of UK markets.

### Who this affects

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- 1.3** Our rules for the PISCES sandbox arrangements affect:
- Platform operators intending to apply to participate in the PISCES sandbox.
  - Regulated trading intermediaries intending to place investor buy or sell orders in the PISCES sandbox.
  - Investors in private companies intending to participate in the PISCES sandbox.
  - Private companies intending to use PISCES as our rules for PISCES operators affect the information these companies will need to disclose to investors.
  - Professional advisors to all these groups.

### The wider context of this policy statement

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#### Our consultation

- 1.4** We consulted on the regulatory framework for the Private Intermittent Securities and Capital Exchange System (PISCES) sandbox in December 2024 ([CP24/29](#)). PISCES will be a new type of platform that will enable the intermittent trading of private company shares, supporting growth in the UK.
- 1.5** The aim of these proposals was to build on and improve private market practices and risk tolerances. The proposals did not use public market standards as a starting point for designing the regulatory framework. Through this 'private-plus' approach, we proposed to enable a variety of PISCES models to be tested in the sandbox, supporting innovation and competition.

- 1.6** In April 2025 we published an interim statement to give an early update on the potential impact of the consultation feedback on our final rules. We did this to support firms who intend to operate a PISCES as they develop their plans. This document is consistent with the direction of travel indicated in that statement.
- 1.7** We are making these rules under powers made by the Treasury in Regulation 14 of The Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025 ('the PISCES sandbox regulations') which was laid before Parliament on 15 May 2025 and came into legal force on 5 June 2025.

## How it links to our objectives

- 1.8** We consider the rules are compatible with, and will further advance, our operational objectives, which are to protect consumers, enhance market integrity and promote effective competition.
- 1.9** Making these rules, and our approach to the PISCES regulatory framework also aligns with our recently published 5-year strategy, for example to support growth and rebalance risk.
- 1.10** 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.
- 1.11** These rules set out proportionate obligations for operators to monitor their market and support a range of potential interventions. These are to support market integrity without a civil market abuse regime, although the criminal market abuse regime under section 89 and section 90 of the Financial Services Act 2012 will continue to apply.
- 1.12** The regulatory framework for PISCES aims to complement, rather than compete with, alternative trading venue services, public markets and crowdfunding platforms. Our rules allow for a variety of PISCES operator business models and service features, subject to our minimum requirements, so encouraging competition between PISCES operators in the PISCES sandbox.
- 1.13** Our rules also advance our secondary international competitiveness and growth objective. They support the UK's attractiveness for international capital and growth companies, enabling investment in productive UK assets and scale-up companies.

## Outcome we are seeking

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- 1.14** We want PISCES to be an innovative, flexible, efficient and effective solution for private companies, to provide investors and employees with concentrated liquidity events in which to buy and sell shares. It should enable private companies to reach a broader range of investors, strengthening their capital-raising prospects outside of PISCES, growth aspirations and support their potential future transition to public markets.

- 1.15** We want our rules to strike the right balance between incentivising operator, company and investor participation with appropriate protections for a private-plus market. Investors must understand the higher risks compared to the current protections on public markets.
- 1.16** Our rules should provide a consistent and coherent framework for the PISCES sandbox along with the PISCES sandbox regulations.

## Measuring success

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- 1.17** The Treasury is required to report to Parliament assessing the effectiveness of the PISCES sandbox before the end of the 5-year sandbox period. This will, subject to further parliamentary approval, inform which permanent legislative amendments Parliament needs to put in place to support a long-term PISCES proposition. The Treasury must consult us in preparing this report.
- 1.18** 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 we approve to participate in the sandbox.
  - Monitor the number, profile and trend of the types of companies taking part in PISCES trading events, to assess whether the framework attracts their participation.
  - Monitor the number, profile and trend of the types 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. We will use this information to evaluate whether the regime is operating effectively and with integrity, and if investors and companies understand their rights, obligations and protections.
- 1.19** We will gather data during the sandbox period to inform any necessary changes to the regulatory framework within that period and help us prepare our input into the Treasury's assessment of the sandbox arrangements. This data will also support any consultations we publish on making our rules permanent. We would aim to provide a Cost Benefit Analysis (CBA) as part of any such consultation.

## Summary of feedback and our response

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- 1.20** We received 35 responses to our consultation from platform operators, investors, those representing private companies, trading intermediaries, professional services firms, trade associations and others.
- 1.21** Most respondents to CP24/29 supported our approach and the flexibility in our proposals. Beyond the consultation process, we have also received broadly positive

reactions to PISCES and early interest from multiple operators. As a result, we have not made material changes to those proposals.

- 1.22** We have made various technical changes to our final rules in response to the feedback. These remain consistent with our interim statement published in April. These changes involve aligning PISCES more closely with private market practice, while maintaining proportionate standards.
- 1.23** We set out the consultation feedback and our responses in the following chapters and summarise it below.
- 1.24** Respondents generally supported our approach and proposals for disclosure arrangements, including for core disclosure and additional information. They mostly agreed with our balance between providing flexibility and maintaining consistent minimum standards. However, many respondents considered our core disclosure proposals required too much information for this type of market. They argued we should streamline these proposals to avoid them being overly burdensome for private companies. In response, we have streamlined core disclosure information requirements. Other respondents suggested we could clarify our disclosure proposals in some areas. Most respondents supported our flexible approach to additional company disclosure arrangements. We have therefore decided not to mandate a 'sweeper' model, as set out as an alternative approach in CP24/29, although operators may choose to adopt this model. See Chapter 2 for further details.
- 1.25** Most respondents agreed with our overall proposed requirements for organising and running trading events. They made various suggestions, such as setting out more clearly that PISCES operators may allow companies to restrict the participation of intermediaries and to further simplify specific MAR 5 provisions. As well as confirming our response to these suggestions, this Policy Statement also clarifies some of our policy intentions, for instance where a small number of respondents strongly disagreed with specific details of our proposals. See Chapter 3 for further details.
- 1.26** Respondents broadly supported our proposed approach to market manipulation and oversight. They emphasised that the role of PISCES operators should be proportionate and limited to ensure these arrangements are less extensive than in public markets. We have largely maintained our approach and the rules we proposed. See Chapter 4 for further details.
- 1.27** Most respondents did not comment on our proposed approach to operating the PISCES sandbox or to our draft operator application requirement proposals (Chapter 6 of CP24/29). In May we published [guidance](#) setting out our expectations.
- 1.28** We have also considered and responded to the legislative changes to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ('the Financial Promotion Order' or 'the FPO'), for the purposes of the sandbox. Existing Financial Promotion Order exemptions would continue to apply, as appropriate. The PISCES FPO exemption covers certain communications involving PISCES shares, that are broadly made through an operator's disclosure arrangements or required by our rules. If operators intend their disclosure arrangements to be publicly accessible, they will need to consider the risk that ineligible investors could view these documents. These

communications, if exempt, would not need to comply with our financial promotion rules (including the fair, clear and not misleading rule) nor the Consumer Duty. This means ineligible investors could be induced to incorrectly self-certify as sophisticated to buy a PISCES share. We will review how an operator has considered this risk and what steps they have put in place, when assessing the PISCES operator's application to the sandbox. Where necessary, we will require appropriate mitigating steps such as a condition or limitation on the operator's PISCES Approval Notice (PAN). See paragraphs 5.4-5.6 in Chapter 5 for further details.

- 1.29** Most respondents agreed with our proposed requirements for intermediaries promoting or distributing PISCES shares. They also supported our approach to align these with current rules for other investments with similar high-risk profiles. Six respondents disagreed with our proposals. Feedback included adjusting requirements to more closely align with our stated 'private-plus' approach, the potential burden on intermediaries of implementing some of these measures, the effectiveness of risk warnings, requests for clarification on restricted investor statements for employees, and the 24-hour cooling off period for new retail clients. In this Policy Statement we clarify and explain our rationale for our response to this feedback. We have largely maintained our approach and the rules we previously proposed. See Chapter 5 for further details.
- 1.30** Our rules anticipate an intermediated model where investors do not interact directly with a PISCES operator. Where a non-intermediated model is proposed by an operator who will engage directly with investors, we may modify our rules and/or apply our promotion and distribution rules to that operator as a condition of approval.
- 1.31** Most respondents either did not comment on or supported our proposals for a modified application of Handbook rules and guidance, including for the Financial Ombudsman's and Financial Services Compensation Scheme's (FSCS) protections to apply to PISCES. Some respondents asked us to enable more liquidity for fund managers by revising investment headroom limits within the Collective Investment Schemes ('COLL') sourcebook. We are considering this separately as part of our broader work on fund management. We have largely maintained our approach and the rules we previously proposed. See Chapter 6 for further details of our modified application of Handbook rules and guidance for PISCES.
- 1.32** No respondents objected to our proposal that breaches of our modified application of Market Conduct Sourcebook (MAR) 5 for PISCES will not give rise to a right of action by a private person under s138D of the Financial Services and Markets Act (FSMA) 2000. We are therefore proceeding as proposed and taking the same approach for rules in PS 1, PS 2, PS 3 and PS 4. This will be of particular interest to authorised firms interested in operating a PISCES. See our response below paragraph 6.9 for further details.
- 1.33** Most respondents either did not comment on or supported our proposals to charge a Category 6 fee for applications to operate a PISCES. Some respondents suggested this fee should be discounted for authorised firms that need to vary existing permissions before applying to operate a PISCES. We have maintained our approach and the Category 6 fee we previously proposed. See Chapter 7 for further details.
- 1.34** Various respondents raised points not directly relating to our proposals, but which concerned how PISCES compared to existing trading platforms or the wider legal



framework under the PISCES sandbox regulations. These are not addressed further in this Policy Statement:

- Some respondents said that bulletin boards, used by investors to publish their interest in buying or selling shares, are proven to deliver good customer outcomes and facilitate a transparent market, and asked if these would be negatively affected by PISCES.
- Some respondents said that intermittent trading would lower liquidity, increase trading friction, and create barriers to users trying to engage in market activities.
- Some respondents said that all retail investors should be permitted to trade on PISCES to provide deeper liquidity.
- One respondent suggested integrating blockchain technology and allowing tokenisation to bolster transparency, security and settlement efficiency.
- One respondent wanted PISCES to be used to facilitate primary share issuance.

## Equality and diversity considerations

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- 1.35** We have considered the equality and diversity issues that may arise from the proposals in this Policy Statement. Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010.

## Environmental, social & governance considerations

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- 1.36** In developing this Policy Statement, 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.
- 1.37** Taking due account of the consultation feedback, we have balanced the potential contribution to those targets that could be made through PISCES markets with the intent of our policy and the outcomes we are seeking to deliver. Overall, we do not consider that our final rules will be significant in contributing to those targets in a 'private-plus' market context.
- 1.38** The proposals we consulted on included core disclosure information on the sustainability characteristics of the PISCES company which are material to its business model. We said we would keep this proposal under review during the consultation period and when considering our final rules. We discuss the feedback we received and our decision on sustainability disclosures in Chapter 2.

## Next steps

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- 1.39** Prospective PISCES operators can continue to request pre-application support, by contacting us via [PISCES@fca.org.uk](mailto:PISCES@fca.org.uk) for preliminary feedback on their proposed operating models and draft rulebooks.
- 1.40** Prospective PISCES operators who are not yet authorised and need to apply for a new permission, or those who need to vary an existing permission to be eligible to apply to operate a PISCES, can engage our Authorisation team's Pre-Application Support Service (PASS) to discuss those applications by contacting us.
- 1.41** Prospective PISCES operators can now submit a complete application for a PAN via [PISCES@fca.org.uk](mailto:PISCES@fca.org.uk).
- 1.42** We will consult on proposals for PISCES operator annual periodic fees in our annual fees policy Consultation Paper in November 2025.

## Chapter 2

# Operator requirements: disclosure arrangements

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

## General approach

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- 2.2** We proposed requiring PISCES operators to include in their rules a requirement for PISCES companies to disclose a set of core information. We also proposed that where additional information needs to be provided to allow for the efficient and effective functioning of the PISCES, PISCES operators would need to make arrangements that require or enable PISCES companies to provide this.
- 2.3** Recognising the potential variety of PISCES business models, we proposed giving PISCES operators flexibility in meeting this overarching requirement and proposed guidance on the form additional disclosure arrangements might take. We included mandating a sweepier model, where a PISCES operator's rules would require a company to disclose any other known information which the company considers relevant for investors in making their decision to trade in PISCES shares, as an alternative approach.
- 2.4** We also proposed requiring PISCES operators to provide us with an assessment of their proposed rules and arrangements as part of their application, to show why they are appropriate for the type and nature of companies and investors on their PISCES.
- 2.5** Feedback broadly supported our general approach to disclosures. Respondents mostly agreed with the flexibility it gives PISCES operators to calibrate disclosure arrangements for their PISCES considering the intended companies and investors. However, some respondents thought the proposed core disclosure information required certain information that would be disproportionate for PISCES and went beyond what was appropriate for a 'private-plus' market. However, suggestions about what core disclosure information to remove were limited, and responses did not collectively identify any specific core disclosure information which was overly burdensome. Other respondents suggested that certain core disclosure information be further clarified and explained.
- 2.6** Responses largely supported the additional information requirement and the flexibility it provided, with only a limited number of respondents disagreeing. There was limited support for a sweepier as an option for certain PISCES markets, and most respondents didn't want a sweepier to be mandatory. This is because they thought a mandatory sweepier would be too burdensome and unsuitable for all PISCES markets, preferring the flexible approach we proposed. A limited number of respondents supported a mandatory sweepier as this would ensure consistency across PISCES operators and ensure comprehensive disclosures. They did not consider the ask-model -

arrangements overseen by the PISCES operator to allow a PISCES company to provide information in response to specific information requests by PISCES investors - to be a suitable substitute for a sweeper.

- 2.7** We provide more detailed feedback on the core disclosure information and additional information below, along with our response to it.

### Our response

Given the largely supportive responses, we are maintaining our general approach to disclosures. We consider the core disclosure information supplemented by a requirement for PISCES operators to have arrangements to provide additional information balances setting minimum disclosure standards for all PISCES operators with providing flexibility for PISCES operators to tailor disclosure arrangements suited to the type and nature of companies and investors on their PISCES.

Given strong feedback that a mandatory 'sweeper' could be disproportionately burdensome for companies using a PISCES, we are not requiring a mandatory sweeper. Based on the feedback, we still consider the burdens of a mandatory sweeper would materially outweigh the benefits. PISCES operators can still implement a sweeper and determine how they apply it, if they consider a sweeper to be appropriate for their PISCES.

To address feedback that our approach went beyond existing private market practice in some areas, we are making various technical changes in our final rules to both streamline and clarify the core disclosure information and update our guidance on additional information as explained below in more detail.

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## Core information

- 2.8** We proposed requiring PISCES operators to require PISCES companies to disclose certain core information when using their PISCES.
- 2.9** Respondents agreed with this proposal, but generally thought the amount of core disclosure information should be slightly reduced to better align PISCES with private market practice. Respondents argued that disclosing too much core disclosure information would be overly burdensome for companies. Some respondents also suggested we provide more guidance on how to assess when information is material and so should be disclosed.
- 2.10** We are making various technical changes to streamline and clarify the core disclosure information in our final rules as outlined below. The changes will better align PISCES with private market practice, where we can maintain proportionate and appropriate standards, and address material points of clarification raised in feedback. We are not

providing guidance on how to assess whether information is material as that would conflict with our objective of minimising core disclosure information rules.

- 2.11** Where we have omitted or removed information from the core disclosure information, this does not prevent PISCES operators from requiring companies to disclose such information in their rules, or for companies to disclose it voluntarily as additional information.

## Business overview

- 2.12** One respondent suggested this could be extended to include market size and position.

### Our response

We are not adding market size and position to the core disclosure information as this would be overly prescriptive.

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## Management overview

- 2.13** Some respondents thought this should be limited to directors.

### Our response

We are keeping directors and senior managers in scope as the latter includes significant individuals such as executives.

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## Financial information

- 2.14** Respondents asked us to clarify what standards should apply to financial information. They also suggested we should mandate certain accounting standards and clarify when auditors' reports need to be disclosed.

### Our response

We are not mandating any specific accounting standards for financial information as that might be a barrier to some companies using PISCES. Companies should follow existing applicable standards for preparing financial information, though PISCES operators can choose to mandate specific standards in their rules if suitable for their PISCES. We have clarified that companies should confirm if the disclosed financial statements have been audited and, if so, disclose the auditor's report. We have also added that where management accounts are disclosed in place of financial statements, the disclosure should identify them as such and that they are not subject to the standards applicable to financial statements.

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## Capital structure, ownership, rights and Share information

- 2.15** One respondent suggested the full shareholder agreement should be disclosed.

### Our response

As the core disclosure information already includes material provisions of any shareholder agreement, we are not requiring the disclosure of the full shareholder agreement.

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## Employee share scheme

- 2.16** A couple of respondents asked if this disclosure was necessary. They were concerned it could require companies to disclose individual directors' remuneration. A respondent also asked if directors' transactions as part of an employee share scheme should be included in the directors' transactions disclosures.

### Our response

We are retaining employee share scheme disclosures to help investors understand director incentives, the potential dilutive impacts of any employee share scheme and any commitments to support an employee share scheme by funding an employee benefit trust. However, we are providing further clarity on what information should be included and specifying that disclosures should be aggregated to avoid identifying individual directors' remuneration. Transactions from an employee share scheme should be included in the directors' transaction disclosure.

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## Directors' transactions

- 2.17** Most respondents thought directors' transactions would provide useful transparency to investors. Feedback did not support extending to major shareholders as the burdens would outweigh the benefits. One respondent argued directors' transactions were unnecessary as they are not always disclosed in private markets. Two respondents also asked for clarification on whether directors' trading intentions needed updating if they changed or are not realised during a trading event.

### Our response

We are retaining directors' transactions but not extending core disclosure information to major shareholders. This will provide transparency without being overly burdensome to companies. We are also clarifying that disclosures should relate to directors' trading intentions in advance of the trading event. We are providing guidance that PISCES operators' rules do not need to require a company to update disclosures about directors' trading intentions if those intentions change after a trading event begins. This is because the disclosure relates to intentions in advance of the trading event. We are requiring PISCES operators to ensure that companies include a statement in their disclosures that information about trading intentions may not be updated after the beginning of a trading event so this is clear to investors.

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## Litigation

- 2.18** Feedback suggested this was potentially unnecessary as it could be included in key material risk factors and financial information if it was material and that it reflected public market standards.

### Our response

We are removing litigation as a specific core disclosure information. However, companies would still be expected to disclose litigation in the risks or financial information in core disclosure information if it was material.

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## Material contracts or agreements

- 2.19** Respondents indicated the requirement to disclose the 'details' of material contracts or agreements could be too commercially sensitive. They also argued that contracts in the ordinary course of business should be excluded, consistent with public market standards to reduce burdens.

### Our response

We are changing this disclosure to an 'overview' of material contracts or agreements and to exclude contracts in the ordinary course of business to address commercial sensitivity concerns and reduce burdens on companies. We are providing guidance on where contracts would be in the ordinary course of business.

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## Previous share capital raises

- 2.20** Feedback proposed including the details of share classes from previous share capital raises as this might be material.

### Our response

We are adding share class to the details of previous share capital raises to be disclosed.

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## Key material risk factors

- 2.21** One respondent suggested this core disclosure information should be removed as it reflected public market standards and investors should assess the risks for themselves. Others suggested this should be limited to key risks to prevent companies from over-disclosing to limit their liability.

### Our response

We are retaining key material risk factors in core disclosure information as we consider them fundamental to investors making an investment decision. The disclosure already states that generic risks should not be included to limit liability.

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## Significant changes

- 2.22** Respondents argued this should be narrowed down to reduce burdens. They also asked for greater clarity on the baseline for identifying significant changes against and focusing on changes to the company's financial position.

### Our response

We are narrowing the core disclosure information to a description of any significant changes in the financial position of the company. We are also removing disclosure on significant acquisitions or disposals and moving significant related party transactions into a separate standalone core disclosure information requirement as that it is more relevant for identifying potential conflicts of interest.

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## Major shareholders

- 2.23** Numerous respondents agreed with the proposed 10% threshold for identifying major shareholders. However, a significant number supported raising the threshold to 25% to enable PISCES operators and companies to use existing Companies Act registers



of people with significant control (PSC Registers) to reduce burdens for companies. Respondents also asked for clarification on the approach where companies are unable to identify end investors.

### Our response

We are applying a 25% threshold for identifying major shareholders, but PISCES operators can choose to apply a lower threshold to identify those who hold less shares and voting rights as further information. We are enabling PISCES operators to allow companies under their rules to disclose their PSC Register as an alternative way of disclosing core information identifying major shareholders, where appropriate. The disclosure of a PSC register may not be appropriate where a PISCES operator has chosen to apply a threshold lower than 25%. This is because the PSC Register is only required to identify persons who hold more than 25% of shares or voting rights in a company. We are providing guidance to highlight that the disclosure of a PSC Register will not be applicable for companies which are not required to maintain a PSC Register under the Companies Act, such as non-UK companies. In this circumstance, we would expect the rules of the PISCES operator to permit disclosure by any other appropriate means.

We are adding that where a company knows of a person to whom the major shareholder disclosure applies but, after taking reasonable steps, cannot identify them and therefore provide the required details, the company must provide a statement confirming they cannot identify any such person and explaining why. We are also confirming that companies do not need to disclose the identity of end investors in exceptional circumstances. These circumstances are where the activities of the company or the characteristics or personal attributes of the person associated with the company would put the person at serious risk of violence or intimidation. These changes are both consistent with the Companies Act PSC Regime and the latter addresses potential concerns about the inappropriate identification of investors.

## Price parameters

- 2.24** One respondent said valuations were likely to be prepared by companies with key investors rather than via independent third parties. See paragraphs 3.2-3.4 and our response below on price parameters for more detail.

### Our response

We are making a change so that, if a company prepared the share valuation or price parameters, they must disclose whether they did so with the agreement of another person, which might for example be a key investor.

## Sustainability

- 2.25** There was some limited support for sustainability disclosures, but a significant number of respondents strongly opposed them as mandatory in core disclosure information. They argued this went beyond existing private market disclosure standards and would be overly burdensome, particularly for smaller companies. They also noted that companies would still be able to disclose sustainability information through operator arrangements to disclose additional information.

### Our response

We are removing sustainability from the core disclosure information as feedback indicated inclusion was disproportionate for PISCES. However, companies should provide sustainability-related information in their business overview or key material risk factor core disclosure information if that information is material to their business or its prospects.

## Forward-looking information

- 2.26** Several respondents thought mandating forward-looking information in core disclosure information, in particular financial forecasts, was disproportionate since it is not mandatory for public markets. They also suggested such a disclosure could be too difficult for smaller companies and companies may consider such information too commercially sensitive to disclose.

### Our response

We are removing forward-looking information on financial forecasts and business strategy from the core disclosure information. However, we note that forward-looking disclosures would benefit from the higher liability standard for additional information under the PISCES liability regime in the PISCES sandbox regulations, where a company discloses such information as part of additional information arrangements (voluntarily or otherwise).

## Trading events

- 2.27** We received no feedback on trading events.

### Our response

We are not making any changes to trading events.

## Last PISCES trading event

- 2.28** Feedback suggested the core disclosure information should more clearly specify that it only applies to the last PISCES trading event.

### Our response

We are amending the final rules to more explicitly refer to the previous PISCES trading event.

## Contact point for disclosures

- 2.29** We are adding a new disclosure to the core disclosure information for a company to identify a contact person for their core disclosure and additional information disclosures. This would enable investors to contact the company about its disclosures.

## Arrangements for disclosure of additional information

- 2.30** In CP24/29 we proposed that if the core disclosure information did not provide enough information to adequately inform investors on the PISCES, PISCES operators would need to have arrangements that require or facilitate the provision of additional information by companies. This is based on an overarching requirement for PISCES operators to ensure their disclosure arrangements are appropriate for the efficient and effective functioning of their market.
- 2.31** We did not propose mandating how this obligation should be met to provide flexibility to PISCES operators. Instead, we proposed guidance that additional arrangements could include a 'sweeper-model' or an 'ask-model' and provided guidance on how they might be implemented.
- 2.32** As outlined above, respondents largely supported the proposed arrangements for the disclosure of additional information and opposed a mandatory sweeper arrangement.
- 2.33** Respondents asked various questions about how the ask-model would work in practice. Several respondents argued that the guidance should not require companies to respond to information requests under an ask-model.

### Our response

We are retaining our flexible approach to additional information, and we will not mandate a sweeper given the feedback received. While we recognise a mandatory sweeper could promote consistency, it would not be appropriate for all types of PISCES and could be burdensome and unattractive to PISCES operators and companies. We have reiterated that PISCES operators assessing if their disclosure arrangements are appropriate for the effective and efficient functioning of their PISCES,

should take into account the type and nature of companies and investors on their PISCES. They will need to explain why they consider their disclosure arrangements to be appropriate in their sandbox application.

We do not intend to provide detailed guidance on how an ask-model should work in practice. PISCES operators should decide how to implement ask-model arrangements, considering our rules and guidance and the type of companies and investors on their market. We are adjusting our guidance to make clear that PISCES operators' arrangements do not need to require companies to respond to all information requests under an ask-model. However, an ask-model would not provide additional information as required by our rules if companies could refuse to respond to any or all legitimate information requests from investors. So, PISCES operators will need to explain how their ask-model arrangements work as part of their sandbox application. This includes how they manage companies responding to information requests under an ask-model, and how they provide transparency in their rules for their expectations of whether and how companies would respond to information requests.

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## Other minimum disclosure arrangements

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### Legitimate omissions and negative statements

- 2.34** We proposed requiring PISCES operators to allow companies to not provide core disclosure information if they identified such information and gave a legitimate explanation as to why. For example, it would prejudice companies' legitimate interests. We also proposed requiring PISCES operators to allow companies to not provide core disclosure information where that information was not relevant to the company and make a statement identifying such information and explaining why it was not relevant.
- 2.35** There were mixed views on legitimate omissions. Most respondents supported the proposal, considering legitimate omissions necessary to allow companies to protect commercially sensitive information. They also thought legitimate omissions were proportionate for PISCES, as investors will be sophisticated enough to judge whether to participate in a trading event based on the information provided. Some respondents thought legitimate omission should be available for additional information disclosures as well as core disclosure information. However, several respondents raised strong concerns about the risk of companies using legitimate omissions to hide key information from investors.

### Our response

Given the mixed feedback, we are making legitimate omissions optional for PISCES operators to implement for their PISCES. We are also making legitimate omissions available for additional information disclosures so

that a company does not need to disclose information under a sweeper or ask-model where the legitimate omissions criteria are met. This will give PISCES operators the flexibility to permit legitimate omissions if they consider it appropriate for their PISCES. PISCES operators who apply a legitimate omissions regime would still need to comply with our rules on the criteria for omitting information and on identifying and explaining any omissions. This will enable investors to decide whether to participate or not. In their sandbox application, PISCES operators will need to explain to us whether and how they will permit legitimate omissions and why their arrangements are appropriate for the efficient and effective functioning of their PISCES. This includes taking into account the type and nature of companies and investors on their PISCES. It will need to be clear when information is omitted so investors know companies are unwilling to disclose certain information and can make an investment decision accordingly. We have clarified that PISCES operators' rules may only permit the omission of information on an exceptional basis.

We have clarified that, for negative statements, information which is not relevant could include information such as related party transactions that are material to the financial performance of the PISCES company or the rights attached to PISCES shares, where there have been no such transactions or rights and so this information does not exist.

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## Corrections and amendments

- 2.36** We proposed requiring PISCES operators to have rules that require companies to disclose updated or corrected information as soon as possible.
- 2.37** Almost all respondents supported our approach. One respondent suggested there should be a maximum timeframe for correcting disclosures. A few respondents asked what should happen if investors trade before a correction or update is made and if a PISCES operator subsequently suspends trading. Some respondents suggested withdrawal rights might be needed.

### Our response

We are retaining our proposed approach but making clear that the scope is limited to correcting disclosures until the end of the PISCES trading event. We are not requiring withdrawal rights, but we are providing guidance that when postponing, suspending, or terminating a PISCES trading event, PISCES operators should consider the interests of investors (see paragraphs 3.25-3.27 and 6.6-6.8 and our responses below for details).

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## Disclosure availability

- 2.38** Respondents agreed with our approach requiring PISCES operators to ensure disclosures are made available to all participating investors at the same time and disseminated sufficiently in advance of trading to permit investors to analyse and understand the information.

### Our response

We are retaining our approach.

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## Presentation of disclosures

- 2.39** We proposed requiring PISCES operators to have rules to ensure disclosures are made available in an easily analysable, concise and comprehensible form.
- 2.40** Most respondents supported the proposal, but a few were strongly opposed arguing this would be burdensome for companies making disclosures and for PISCES operators to monitor. They thought that in a 'private-plus' market investors should decide if disclosures are clear before trading on the information provided to them. Some respondents thought our approach was unnecessary as the clear, fair and not-misleading standard for financial promotions would apply.

### Our response

We are removing the requirement for disclosures to be easily analysable, concise and comprehensive to reduce burdens for PISCES operators and companies and to align with private market practice. We expect companies would need to make clear disclosures for investors to trade in their shares. The financial promotions rules' clear, fair and not-misleading standard will not apply to PISCES disclosures falling within the scope of the new FPO exemption that the Government has created for PISCES.

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## Post-trade disclosures

- 2.41** We proposed that PISCES operators require companies to disclose directors' transactions and changes to major shareholders after trading events.
- 2.42** Several respondents thought post-trade disclosures would give investors useful transparency. However, some other respondents thought post-trade disclosures would be duplicative and burdensome for companies as the same information would be provided in the core disclosure information before any next trading event.

### Our response

We are removing post-trade disclosures from core disclosure information to reduce burdens on companies.

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## PISCES disclosure liability regime and forward-looking statements

- 2.43** We proposed to categorise financial forecasts and business strategy and objectives (both covering at least the next 12 months) as forward-looking statements in the core disclosure information. This information would then be identified as forward-looking statements and subject to the higher liability standard under the PISCES liability regime.
- 2.44** As outlined above, respondents wanted us to remove such forward-looking information from the core disclosure information.

### Our response

We are removing financial forecasts and business strategy and objectives (both covering at least the next 12 months) from core disclosure information, and we are not specifying any information in our rules as 'forward looking' for the purposes of the PISCES liability regime in the PISCES sandbox regulations. All core disclosure information will have to meet the liability standard provided for 'core disclosures' in the PISCES sandbox regulations. We will require that core disclosure information is clearly identified. Investors can then distinguish between what is core disclosure and additional information and so understand what liability standard applies under the PISCES liability regime.

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## Disclosure oversight

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- 2.45** In CP24/29, we explained we would expect PISCES operators to monitor companies' compliance with their disclosure rules, have arrangements for handling investor complaints, taking disciplinary action against companies breaching their disclosures rules and notifying us where they know or suspect that a companies' disclosures could constitute misleading statements under section 89 of the Financial Services Act 2012.
- 2.46** We also explained we would expect PISCES operators to take a proportionate and risk-based approach to monitoring compliance with their disclosure rules. We did not expect PISCES operators to approve disclosures before they were issued but thought that it would be reasonable for PISCES operators to check the general completeness of disclosures. We expected PISCES operators to have arrangements to investigate where disclosures had broken their rules in response to investor complaints about the completeness, clarity, reasonableness or accuracy of disclosures. We also expected them to be able to take a range of appropriate disciplinary actions against breaches of

their disclosure rules, recognising that PISCES operators do not have statutory powers to compel companies to disclose information.

**2.47** We proposed that, as part of their sandbox application, PISCES operators must explain their oversight arrangements and how they are appropriate for the efficient and effective functioning of their PISCES.

**2.48** Most respondents broadly supported our approach that PISCES operators have a limited role in overseeing disclosures as it would support the integrity, reputation and attractiveness of the PISCES market. Feedback generally agreed oversight should be proportionate, that approving disclosures would be disproportionate but considered that an oversight role was needed by PISCES operators to protect market integrity.

**2.49** A few respondents disagreed and argued PISCES operators should not be responsible for overseeing disclosures on their PISCES. These respondents argued that investors should be responsible for assessing the comprehensiveness, accuracy and reasonableness of disclosures. Another respondent thought PISCES operators should have to approve disclosures.

**2.50** Some respondents suggested that we should specify the oversight arrangements needed, to reduce potential burdens on PISCES operators and set clear minimum oversight standards.

### Our response

Our view, supported by most respondents, is that companies seriously and persistently breaching PISCES operator disclosure rules through incomplete or inaccurate disclosures would present risks to the orderliness and integrity of PISCES. This would harm the reputation and attractiveness of PISCES to companies and investors, affecting its development and its success.

We agree that the primary role of a PISCES operator will be to oversee the orderliness of trading taking place via a trading event. However, we also consider that a PISCES operator's arrangements need to allow it to intervene when presented with credible or widespread information about misleading company disclosures that threatens the integrity of its PISCES.

We will expect those arrangements to be proportionate and risk based. Our assessment of those arrangements will recognise that investors bear primary responsibility for evaluating the information they receive and that PISCES operators do not possess statutory investigative powers to compel companies to provide information. We also recognise that certain interventions, including suspending a trading event or removing a company, will need to balance protecting the integrity of a PISCES and the potential detriment to investors seeking an exit.

In practice, we expect that arrangements may consist of:

- A basic check of the general completeness of a disclosure statement.



Given our decision to delete the requirement, this would not extend to the analysability or comprehensibility of the disclosure. Such checks could be automated, such as checking that companies have provided information required by the core information disclosures.

- A process to investigate investor complaints, where in the judgement of the PISCES operator these raise a credible concern that a serious or persistent breach of its disclosure rules has occurred. We know it will not be possible for those processes to compel a company to cooperate.
- The ability to take remedial or disciplinary action, which could include providing guidance, requiring a company to get advisory support, issuing warnings or fines, or if necessary to protect the integrity of a PISCES, suspending or removing the company from its market.

Our final rules reflect and enable that role. In particular, we have amended the transaction monitoring obligation under MAR 5.5.1R in our final rules. It now applies to misleading impressions, such as manipulative trading strategies, rather than misleading statements. However, we would still expect PISCES operators to notify us if they become aware of potential offences under section 89 (Misleading statements) of the Financial Services Act 2012, for example, after investigating a complaint. This reflects general requirements for firms and recognised investment exchanges (RIEs) to prevent their arrangements being used for financial crime. We have also made a change to our rules on complaints procedures and disciplinary arrangements (see paragraphs 3.20 to 3.27 and the response below for details), so that they do not prevent a PISCES operator from imposing a trading suspension if doing so would cause significant harm to investors' interests. Instead, they now recognise that, when they have evidence of serious disclosure breaches, a PISCES operator will need to weigh the impact on existing investors of removing trading events with the impact on prospective investors and the wider integrity of its PISCES of allowing future trading events.

As part of the sandbox application, we will require PISCES operators to explain how their arrangements for monitoring compliance with their disclosure rules will work. The views set out above aim to give PISCES operators clarity on how we expect to apply our rules, but we do not consider it necessary to introduce further Handbook guidance on the PISCES operator's role. We think this will enable us to discuss with individual PISCES operators the specific arrangements that are suitable for their PISCES.

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## Arrangements for disseminating, accessing and handling information

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- 2.51** We proposed rules setting technical requirements for how PISCES operators' disclosure arrangements should function to ensure the timely, effective and secure dissemination of disclosures to investors.
- 2.52** Respondents agreed with the overall approach for disseminating, accessing and handling information. One respondent questioned whether these arrangements were needed.
- 2.53** On accessing historical disclosures, one respondent noted that giving investors access to all a company's historical disclosures was not aligned with the 5-year record retention period. They also argued that giving all investors participating in a trading event access to all the company's historic disclosures could raise confidentiality concerns where a company had previously held permissioned trading events. This might require it to disclose commercially sensitive information more widely than it intended when first making the disclosure in a permissioned trading event.

### Our response

We will continue with the overall approach to disseminating, accessing and handling information as we believe this will help ensure the integrity and availability of PISCES disclosures.

We are amending the requirement for providing access to historic disclosures to align with the 5-year record retention period. We will also only require historic disclosures from previous trading events to be made available to all investors if the disclosures were not originally made for a permissioned trading event. However, PISCES operators under their own rules could require historic information from previous permissioned trading events to be disclosed.

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## Chapter 3

# Operator requirements: organising and running trading events

- 3.1** This chapter outlines our response to the feedback we received to our proposals on 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).

## Price parameters

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- 3.2** PISCES operators will be able to allow companies to set floor and/or ceiling prices for their PISCES shares, known as 'price parameters'. We proposed that the core disclosure information from PISCES companies (see paragraphs 2.8 to 2.10) must include details of any price parameters. We said that, at a minimum, this must cover:
- 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.
- 3.3** We did not propose any specific requirements for how operators should monitor the use of price parameters, or any requirement for operators to verify that the methodologies used to determine the parameters are fair or reasonable. PISCES operators would still have to ensure their arrangements meet their obligations under our modified version of Chapter 5 of our Market Conduct sourcebook (MAR 5) and, for RIEs, the Recognition Requirement Regulations (RRRs) and Recognised Investment Exchanges sourcebook (REC). For example, the requirement to have transparent rules and procedures for fair and orderly trading.
- 3.4** Around three quarters of respondents broadly agreed with our proposed approach. Substantive points raised were:
- Some respondents suggested we should prescribe how price parameters should be set. Suggestions included that companies should use variable price controls, such as a floor price of no less than a 10% discount from the last fundraising or traded price, or that an independent third party should set a fixed strike price. Another respondent suggested there should be an additional mechanism for investors in a 'cash crunch' to sell shares at prices outside a company's price parameters, but that these sales should not be included in the post-trade transparency information.

- Some respondents also made suggestions about who should be responsible for the oversight and potential liabilities arising from the use of price parameters. Some felt there should be more independent oversight of price parameters, while another suggested that price parameter disclosures should only be a matter for PISCES operator rules. A further respondent stated that, where a PISCES company values their shares in line with independent third-party advice, the PISCES company should still be responsible for any price parameters set.
- One respondent stated that valuations are more likely to be prepared via negotiation between a company and key investors, rather than an independent third party. On this basis, they said only the broad parameters of valuations should need to be disclosed, rather than the full basis on which they were determined.

### Our response

We are not making any significant changes to our approach. Our approach reflects the fact that private companies and their investors often want to keep a higher degree of control over the price at which their shares are valued and exchanged. However, individual PISCES operators will be able to consider whether they want to set additional requirements, beyond the baseline of our rules, if that would be appropriate for their market and is in line with their general obligations as an operator (for instance, under modified MAR 5).

We also believe that, given the unique regulatory framework for PISCES, operators are best placed to provide oversight of their platforms. As a result, we will not require any further oversight of price parameters.

While operators must have proportionate arrangements in place to monitor users' compliance with their rules (including those on price parameters), the PISCES company remains ultimately responsible for complying with these rules. Where a PISCES company chooses to use any external advice to help set its price parameters, the split of liabilities between each party is a matter for commercial negotiation.

To reflect that PISCES companies may agree their valuations or price parameters with key investors, we will amend our final rules. The changes will mean that, if a PISCES company prepares a share valuation or price parameters, their core information disclosures must cover whether they did so with the agreement of another person (eg a key investor) and the identity of any such person. We also made a technical change to our final rules to reflect that, while some PISCES companies may set both floor and ceiling prices, they may also set just a floor or ceiling price.

Given the significant discretion that PISCES companies will have in setting price parameters, under our rules PISCES operators still must require companies to disclose the basis on which the price parameters were determined. This will help potential investors to decide whether these price parameters fit their risk appetite.

## Permissioned trading events

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- 3.5** PISCES operators will be able to allow companies to set restrictions on who can buy and sell their shares. Trading events with such restrictions are known as 'permissioned trading events'. We proposed requirements on operators that allow permissioned trading events, which aimed 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.
- 3.6** Firstly, we proposed that an operator may only permit a company to restrict investors from buying shares in a trading event if it serves the purpose of promoting or protecting the company's legitimate commercial interests. We did not define legitimate commercial interest, so that our rules could accommodate a broad set of use cases. However, we said that we would not expect a company's procedure for identifying restrictions to be influenced by any prejudice against groups or individuals, including based on any protected characteristics under the Equality Act 2010.
- 3.7** Secondly, we proposed that an 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, unless an investor is an employee of the PISCES company (or other 'qualifying individual' as defined in the PISCES sandbox regulations) and already subject to contractual obligations with that effect.
- 3.8** Thirdly, we proposed that an operator may only permit companies to restrict members' or participants' access to trading events according to published, transparent and non-discriminatory rules which are based on objective criteria.
- 3.9** Finally, we proposed that, when a PISCES company holds a permissioned trading event, the operator must ensure that there are arrangements in place to ensure that all PISCES investors who request access to the trading event are informed of the nature of the restrictions in a timely manner.
- 3.10** Two thirds of respondents agreed with our overall approach. Substantive points raised were:
- Many respondents who agreed with our proposed approach did so on the understanding that our rules would give companies significant discretion over who can invest in their companies, provided this was commercially justified. Two respondents requested further clarity on the extent to which operators may permit companies to restrict the investors and intermediaries that can access their trading events.

- Some respondents argued that companies should be given more discretion over who may buy or sell their shares. For example, that companies should have complete discretion over who can access their trading events without explanation, be able to impose new restrictions on who may sell their shares during trading events and impose new restrictions on company employees' participation in trading events.
- Other respondents raised the mechanics of how permissioned trading events would operate. One respondent asked how intermediaries would be able to categorise eligible or ineligible investors. Another suggested that intermediaries should only be required to include or exclude investors according to a list provided by the PISCES company. A further respondent suggested that we set a standard template for companies to communicate the reasons for restrictions on their permissioned trading events.

### Our response

The intention of our rules is to allow companies significant discretion over who can invest in them, and we recognise that companies are best placed to identify the kinds of restrictions that best fit their legitimate commercial interests. Given that companies will have this significant flexibility, we think the guardrails outlined above will help to ensure other PISCES users can fairly benefit from trading events. We will therefore proceed with the general approach which we consulted on.

In our consultation, we said that where a company wants to restrict a PISCES investor who is an end-client (rather than a member or participant of PISCES) from buying their shares, we expect the key test to be if that restriction is in the company's legitimate commercial interest.

We also said that, where a company wants to restrict a PISCES member or participant (who may be an intermediary) from participating in a permissioned trading event, access may only be restricted according to published, transparent and non-discriminatory rules which are based on objective criteria. In CP24/29 we said we expected there would be very limited scope for PISCES companies to restrict the access of PISCES members or participants to their trading events.

However, we received feedback that, as PISCES companies may limit the investors who can buy shares in their trading events according to their legitimate commercial interests, this may involve limiting the buying of shares to clients of a certain intermediary. On reflection, we consider this to be a convincing argument as companies may have a pre-existing commercial relationship with a certain intermediary. Companies may also want to limit the number of intermediaries who receive information about the individuals who may or may not participate in their permissioned trading events.

For clarity on this point, we have provided guidance that an operator's rules on companies restricting members' and participants' access to permissioned trading events will meet our expectations as long as they:

- Provide for a clear process by which a company may restrict a member or participant from participating in a trading event, and
- Only permit non-discriminatory restrictions that are based on objective criteria. Objective criteria may include a PISCES company's legitimate commercial interests.

Our guidance also makes clear that, where a PISCES member or participant is participating in a trading event as a PISCES investor (ie buying or selling shares on its own account, rather than as an intermediary), companies may only restrict their buying and selling of shares in line with the reasons permitted for PISCES investors generally. We would still expect operators' rules to provide for a clear process by which companies may restrict participants' or members' access to trading events in these circumstances.

For RIEs, we have also added guidance to REC to clarify that, when considering whether they have met a similar requirement under the RRRs, we will have regard to our rules and guidance on permissioned trading events outlined above. However, RIEs should note that the RRRs are set by the Treasury, and we cannot determine their broader interpretation.

Other than this, our rules do not seek to govern how restricted access to trading in a permissioned trading event is operated in practice. This is a matter for the PISCES company, operator and any intermediaries. As a result, intermediaries may rely on a list provided by a company to identify the investors able to participate in a permissioned trading event (or conversely those who are restricted from participating), see paragraph 4.38 of CP24/29. However, they may also use any other method of deciding whether someone is or isn't restricted from participating in a permissioned trading event that works best for their business model and relevant PISCES companies. Given companies will have significant flexibility on the restrictions they set for permissioned trading events, we will not set a standard template for them to communicate these to investors.

Given our final approach to permissioned trading events described above, we have also made a consequential change. This change clarifies that, when a PISCES company holds a permissioned trading event, the operator must ensure there are arrangements in place to ensure that any participant or member of the relevant PISCES platform who requests access to the trading event is informed of the nature of the restrictions in a timely manner. This is in line with the requirement we consulted on that investors must be informed of the nature of any such restrictions, see paragraph 3.9.

We have also clarified in guidance that it would be compatible with our rules for these restrictions to only be disclosed to a person who confirms on reasonable grounds that, under the PISCES sandbox regulations, they are eligible to participate on a PISCES platform in the first place. See our response below paragraph 3.13 for further clarification on this requirement.

## Public trading event notifications

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- 3.11** We proposed that, for all trading events, a PISCES operator must ensure that the following information is made available publicly and in a timely manner:
- 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 (eg 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').
- 3.12** We did not propose requiring operators to make the specific restrictions on individual PISCES permissioned trading events publicly available, as this may be commercially sensitive information for PISCES companies (especially if it was a list of eligible investors). However, if feasible, we encouraged PISCES operators and companies to consider publishing a high-level description of the type of restriction on participation they will apply to a particular trading event. For example, if buying shares in a permissioned trading event is limited to institutional investors only. We considered this extra transparency could help PISCES platforms operate as efficiently as possible.
- 3.13** Most respondents agreed with our overall approach. Some respondents asked us to confirm that the required public trading event notifications will not be classified as financial promotions. Several respondents believed that we proposed to require PISCES companies to make specific restrictions for permissioned trading events publicly available (contrary to the above).

### Our response

We are not making any changes to the approach on which we consulted.

The PISCES sandbox regulations make various modifications to the FPO for the purposes of the PISCES sandbox (see paragraphs 5.5-5.6). Under the regulations, communications required by our rules (which would include the required public trading event notifications outlined in paragraph 3.11 above) would be exempt from section 21 FSMA 2000 (the financial promotion restriction), if they amount to financial promotions.

There may be confusion between our requirements on public trading event notifications and a separate requirement that, when a PISCES company holds a permissioned trading event, the operator must ensure that there are arrangements in place to ensure that any PISCES investor, or participant or member of the relevant PISCES platform, who requests access to the trading event is informed of the nature of the restrictions in a timely manner (PS 3.2.5R). To clarify, the PS 3.2.5R requirement:

- Only requires the disclosure of information to persons who can show



that, under PISCES sandbox regulations, they are eligible to participate on a PISCES platform in the first place - not the public.

- Only applies when a PISCES investor, member or participant requests access to a permissioned trading event.
  - Only requires disclosure of the general nature of the restrictions, not the specific details of such restrictions (for instance, a list of individual investors that may or may not participate in the permissioned trading event).
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## Pre and post trade transparency data

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- 3.14** Although PISCES platforms will operate as multilateral systems, they will not be trading venues as defined under UK Markets in Financial Instruments Regulation (UK MiFIR), when operated under the PISCES sandbox regulations. As a result, the transparency requirements for shares traded on a trading venue will not apply by default to PISCES operators.
- 3.15** The Treasury delegated responsibility for transparency requirements for PISCES to us and our consultation outlined our proposed requirements for a bespoke pre- and post-trade transparency regime for PISCES. We proposed that PISCES operators must make the following information freely available on a continuous basis during a trading event:
- 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 technically possible.
- 3.16** We said this information would need to 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.
- 3.17** We also proposed that operators must ensure that all persons 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.
- 3.18** Finally, while we did not propose a specific method by which PISCES operators must disseminate transparency data, we said that any arrangements they use must be robust. We therefore proposed to apply high level requirements to the dissemination of PISCES transparency data, see paragraphs 4.73 to 4.75 of CP24/29.
- 3.19** Around two thirds of respondents agreed with our overall approach. One respondent asked if, for PISCES platforms with periodic auction trading systems, providing a general uncrossing price (rather than details of individual fills) would meet our requirement to provide adequate information on historic PISCES transaction data.

### Our response

We will implement the approach which we consulted on. For operators whose platforms use periodic auction trading systems, we agree that providing a general uncrossing price, and the overall volume of trades executed at that price, would meet our requirement on the provision of historic PISCES transaction data.

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.

## Complaints procedures and disciplinary arrangements

- 3.20** We consulted on requirements specifying the complaints procedures that all PISCES operators must put in place. We also proposed 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.
- 3.21** The aim of these proposals was 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.

### Complaints procedures

- 3.22** We proposed that all firms operating a PISCES platform must 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.
  - Investigating and resolving complaints connected to how the PISCES operator itself performed, or failed to perform, their functions. This would not cover complaints about the content of operators' rulebooks or decisions regarding PISCES users for which there is a right of appeal.
- 3.23** We also proposed guidance outlining our expectations for how these procedures should operate, see paragraphs 4.88, 4.89 and 4.91 of CP24/29.
- 3.24** For RIEs, we noted that, 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 about their performance of their

regulatory functions. See the PISCES sandbox regulations for details on how the RRRs apply to the PISCES sandbox.

## **Disciplinary arrangements and market interventions**

**3.25** Our consultation recognised that a PISCES operator will play a crucial role as the frontline supervisor of its platform. As outlined in our response under paragraph 2.50, they would be responsible for taking appropriate disciplinary action against members, participants and PISCES companies when their rulebook is breached.

**3.26** We proposed that, at a minimum, 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.
- 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 functioning of the PISCES.
- Make public any decision to postpone, suspend or terminate and notify us of it.

**3.27** When taking such action, we proposed that operators must 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 – MAR 5.3.1R(3).
- 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 interests of investors or orderly functioning of the PISCES – MAR 5.6A.1R(1).

## **Feedback Received:**

**3.28** For all relevant questions, most respondents agreed with our overall approach. Substantive points raised were:

- There were mixed views on whether operators should be restricted from exercising their power to suspend or remove PISCES shares from trading, if such a step would significantly damage investors' interests or the orderly functioning of the PISCES. Some respondents disagreed on the basis that it would discourage or even prevent operators from suspending or removing PISCES shares from trading, even when doing so would protect market integrity. However, others were in favour as they felt this requirement would help protect investors and market integrity.
- Relatedly, certain respondents argued that we should require operators to put additional safeguards in place to mitigate any impact of trading event suspensions when any investors' orders have already been executed. One respondent suggested that investors should have automatic withdrawal rights and that

trading events should be extended if necessary. Another respondent suggested we require that operators' trading systems cannot match orders in real time and asked, if trading event suspensions cause negative outcomes for investors, who would be responsible for any potential redress obligations.

- One respondent disagreed that operators should be generally responsible for taking appropriate disciplinary action against PISCES users. They suggested an alternative model where the operator is responsible for notifying us of their concerns and, if necessary, postponing, suspending or terminating trading events; we would then be responsible for investigating complaints and taking disciplinary action. They also raised concerns about an operator's ability to investigate company disclosures in response to complaints and said that they considered this requirement akin to needing to verify disclosures.

### Our response

It remains our view that PISCES operators are best suited to provide front-line supervision of their own markets – especially as UK Market Abuse Regulation (UK MAR) will not apply directly to PISCES shares.

We were convinced by concerns raised that the proposed restrictions on operators' flexibility to suspend or remove PISCES shares from trading may discourage or prevent them from taking necessary action. As a result, our final rules will not apply MAR 5.6A.1R(1) to PISCES operators, see paragraph 3.27 above.

As an alternative, we will set guidance that, in deciding whether to postpone, suspend or terminate a trading event, a PISCES operator should consider both the interests of investors and the orderliness of its PISCES. This more balanced approach recognises that suspending or terminating a trading event is a significant intervention. However, it is one that investors should recognise needs to be within the operator's toolkit when serious questions are raised about the likely orderliness of future trading events, for example, based on evidence of material or repeated rule breaches.

We will not prescribe any specific further protections for PISCES investors. Given the variety of potential PISCES business models and trading systems, it is for individual operators to consider whether any further protections are necessary or feasible for their platforms. Notably, intermittent trading systems which, for a time-limited period, enable orders to be continuously matched in real-time may present higher risks for investors. Operators must make this decision in line with their high-level obligations under the PISCES sourcebook, modified MAR 5 and, for RIEs, the modified application of the RRRs and REC. We will work closely with all prospective PISCES operators at the gateway to the PISCES sandbox to ensure that their obligations are effectively and proportionately met.

However, regardless of any investor protections PISCES operators may implement, investors must be aware that future liquidity in the shares

traded on PISCES will never be guaranteed – see paragraph 4.116 of CP24/29. This risk will be clearly highlighted by the required PISCES Market Risk Warning, which will be applied to all company disclosure information disseminated on PISCES platforms.

Additionally, investors' ability to seek compensation or redress for any loss incurred from trading PISCES shares (including following a PISCES trading event suspension) will depend on the specific circumstances and whether the parties involved met their regulatory requirements. It is important to flag:

- The government's PISCES liability regime will enable investors to seek appropriate recourse from PISCES companies for issues with the completeness and accuracy of disclosures. See Regulation 13 of the PISCES sandbox regulations.
- Our rules will disapply private rights of action for many rules for operators. However, private rights of action will still apply for certain breaches of our rules, including rules for firms promoting and distributing PISCES shares to retail investors. See our response below paragraph 6.9 for further details.
- Operators that are RIEs have statutory immunity. This means that 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.
- The FSCS regime will cover eligible investors for regulated services they receive from intermediaries where they have a client relationship. Several conditions must be met before the FSCS can pay compensation, see paragraph 8.58 of CP24/29.

Under the PISCES sandbox regulations, we will not have the power to order restitution for breaches of our PISCES rules or other relevant requirements. However, in some circumstances, the court may still be able to order restitution.

Our response below paragraph 2.50 gives further clarification on PISCES operators' obligations for overseeing disclosures. In summary, we expect operators' monitoring arrangements to be proportionate and risk based, recognising they do not have statutory investigative powers. There is no requirement for operators to 'approve' PISCES company disclosures before they are disseminated to investors.

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## PISCES Market Risk Warning

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- 3.29** We proposed to require PISCES operators to include a PISCES Market Risk Warning as part of any disclosure information that they disseminate on their platform. This is because trading on PISCES will generally involve higher investment risks than trading on public markets. It is crucial that all PISCES investors – including institutional and professional investors – are aware of this.

- 3.30** We consulted on the text which operators would have to display as the PISCES Market Risk Warning, see paragraph 4.124 of CP24/29. We proposed that operators would be able to tailor this text if they have a valid reason for doing so. For instance, if an operator chose not to enable the use of price parameters on their platform, then they would not need to include information about price parameters in their PISCES Market Risk Warning.
- 3.31** Respondents generally agreed with our suggested approach. Substantive points raised included:
- Some respondents disagreed with our approach on the basis that risk warnings and our broader regime for High-Risk Investments (HRI) do not effectively impact the behaviour of investors, who instead rely on regulators to oversee markets.
  - Several respondents agreed with our overall approach but suggested specific drafting edits.
  - One respondent said that if the PISCES Market Risk Warning accompanied all disclosure information disseminated on PISCES platforms, this would be a disproportionate presentation of risks for professional, sophisticated and high net worth PISCES investors.

### Our response

Given the overall support for our proposed approach, we will require PISCES operators to include a PISCES Market Risk Warning as part of any disclosure information they disseminate on their platform.

The PISCES Market Risk Warning is only for PISCES platforms and so is not part of our broader HRI regime. Paragraphs 5.7 to 5.16 below outline how our final rules will apply aspects of the financial promotion rules for Restricted Mass Market Investments to PISCES. This includes additional risk warnings designed to help the limited subset of retail investors permitted to trade on PISCES understand the key risks of doing so. These retail-focused risk warnings are informed by our behavioural research on improving consumers' perceptions and understanding of investment risk. We will require different warnings, presented at specific points in the investor journey, as each has its own purpose and target audience.

For the PISCES Market Risk Warning to be effective, it must summarise risks clearly and concisely. We consider that the risks covered by the suggested drafting edits are either flagged in the PISCES Market Risk Warning as consulted or core disclosure information for PISCES companies. As a result, we will not incorporate these suggested edits into our final PISCES Market Risk Warning. Beyond our baseline requirements, operators and companies may flag any additional risks or explanations of how PISCES platforms operate to investors as they deem appropriate.

Finally, we have made some technical changes to our final rules on the PISCES Market Risk Warning to ensure it operates as intended, notably:

- We will clarify that operators must prominently display the PISCES Market Risk Warning, to ensure it is brought to the attention of all PISCES investors.

- We will highlight in the PISCES Market Risk Warning that PISCES will be delivered through a 5-year financial markets infrastructure sandbox, due to expire in 2030. Parliamentary approval is needed to make PISCES a permanent feature of the regulatory regime beyond the sandbox period.
- As outlined in our response below paragraph 2.26, our final rules will not require companies to provide forward-looking statements as part of their core information disclosures. We will require PISCES companies to identify their core information disclosures so that investors understand the liability regime that applies for each disclosure. We will reflect these changes in the PISCES Market Risk Warning.

The final PISCES Market Risk Warning text is below. PISCES operators would be able to tailor this text if they have a valid reason for doing so.

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***'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 5.9 to 5.16 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 platforms also operate within a temporary sandbox that is due to expire in 2030, rather than a permanent regulatory regime. This means that there may be risks of trading on PISCES that we have not anticipated. It will be for the government to decide whether to make the PISCES regime permanent. You will not be able to sell your shares via this platform if the PISCES regime comes to an end.*

*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 not identified as core disclosure information would be subject to a higher liability threshold. Seek advice as appropriate.*

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

*As a result, other investors may possess information relevant to an assessment of the price of 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.'*



## Chapter 4

# Operator requirements: market manipulation and oversight

- 4.1** This chapter outlines our response to the feedback to our proposals for PISCES operators' role in monitoring trading on their platform, including reducing the risk of manipulative trading practices on PISCES platforms (refer to PS 4 in Appendix 1).

## Manipulative trading practices

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- 4.2** We proposed requiring PISCES operators to implement rules and measures that detect and prevent manipulative trading practices on their PISCES. We also proposed requiring PISCES sandbox applicants to provide a comprehensive assessment of their rules and arrangements for detecting and preventing manipulative trading practices. These would include how they will identify the risks of these practices and proportionately implement measures to manage them. We proposed a rule requiring PISCES operators to regularly review and, if appropriate, update their risk assessment on an ongoing basis.
- 4.3** Respondents generally agreed with the approach to market manipulation. Various respondents thought it provided a flexible and proportionate way to ensure market integrity in the absence of UK MAR.
- 4.4** A few respondents asked us to specify the manipulative trading practices which PISCES operators should prohibit to ensure consistency across PISCES operators. However, they also acknowledged this might not be possible at this stage and feedback suggested we keep market manipulation risks under review. A couple of respondents said there should be an insider dealing regime to prevent insiders trading on information which hasn't been disclosed. Two respondents raised concerns the approach could damage the crowd-funding sector already operating without UK MAR.
- 4.5** Feedback emphasised that PISCES operators' market monitoring arrangements should be proportionate and less extensive than in public markets. One respondent suggested we specify exactly what arrangements PISCES operators should put in place. Another respondent argued that it didn't make sense for PISCES operators' transaction monitoring obligation under MAR 5.5.1R to refer to misleading statements. They suggested this might be interpreted as a broader obligation for PISCES operators to monitor activity outside their platform which they would pass on to intermediaries.

### Our response

Given the largely supportive feedback, we are continuing with the approach to market manipulation as consulted on. PISCES will not have a civil or criminal insider dealing regime. Investors will need to recognise that this means some participants may have more information than others. We have highlighted this in the PISCES Market Risk Warning. As

this approach is specific to PISCES, we do not agree that it will harm the crowd-funding sector.

As explained in CP24/29, PISCES operators will be responsible for monitoring, investigating and acting against manipulative trading on their PISCES. We have set minimum expectations for PISCES operators via our rules and guidance, including that monitoring arrangements should be proportionate to the size, scale and complexity of the PISCES. We do not intend to specify exactly what these should be. This will give PISCES operators flexibility to establish arrangements suitable for their market. We will assess the suitability of these as part of assessing sandbox applications and supervising the functioning of PISCES operators' arrangements to ensure fair and orderly trading. We will also keep the market manipulation risks under review as the regime develops.

We have amended the transaction monitoring obligation under MAR 5.5.1R in our final rules to clarify this applies to misleading impressions under section 90 of the Financial Services Act 2012, such as manipulative trading strategies, rather than misleading statements under section 89 of the Financial Services Act. See Chapter 6 on MAR 5 for more details. However, we still expect PISCES operators to have arrangements to monitor compliance with their disclosure rules and report any misleading statements to us, as explained in Chapter 2. We are making some minor changes to our guidance on transaction monitoring to align with the changes to MAR 5.5.1R.

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## Notifications and record keeping requirements

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- 4.6** We proposed adapting existing market abuse notification and record keeping requirements for PISCES to help our oversight of conduct prohibited under the criminal market manipulation regime (section 89 and section 90 of the Financial Services Act 2012).
- 4.7** Most respondents agreed with the proposed approach to notifications and record keeping. A couple of respondents thought PISCES operators should not have to report potential criminal market manipulation to us since this might increase burdens.

### Our response

Given the mostly supportive feedback, we are making our final rules on notifications and record keeping as consulted on. Reporting requirements are essential for our ability to take action against criminal market manipulation and in line with existing expectations to report suspected financial crime to us.

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## Intermediaries

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- 4.8** We proposed guidance reminding PISCES intermediaries of existing expectations to protect market integrity and counter the risk of financial crime. We did not propose any new requirements for intermediaries.
- 4.9** Feedback largely supported the proposed guidance. However, some respondents were unsure if the guidance created new obligations for PISCES intermediaries. They emphasised any obligations should be proportionate. One respondent thought the guidance was unnecessary since intermediaries already know about existing requirements.

### Our response

We are making the guidance as consulted on in our final rules. This does not create any new requirements for intermediaries. It only reminds them of existing obligations for upholding market integrity and countering financial crime.

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## Chapter 5

# Trading intermediary requirements: promotion and distribution

- 5.1** This chapter outlines our response to the feedback on our proposals for consumer protections to help eligible retail investors identify investments that suit their circumstances and attitude to risk (refer to PS 5 in Appendix 1). Our rules will apply to retail clients who are individuals. Our proposals will not apply to a firm where a retail client is only selling PISCES shares. They also do not apply to professional investors.
- 5.2** Our rules allow for a variety of PISCES operator business models. However, currently our promotion and distribution rules only reflect an intermediated model where investors do not interact directly with a PISCES operator. If an operator applies to the sandbox intending to operate a non-intermediated model – engaging directly with the investor – we may need to modify our rules for the PISCES sandbox. We will also consider whether to apply our promotion and distribution rules to that operator as a condition to the PISCES operator’s PAN.
- 5.3** We have also assessed our proposals in light of the legislative changes made to the FPO.

## The legislative context and the modified Financial Promotion Order

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- 5.4** The PISCES sandbox regulations set out that to buy a PISCES share, an individual must generally qualify as a ‘specified PISCES investor’. The Regulations also state that an intermediary must not place an order to buy a PISCES share unless the client is a qualifying individual as defined in Regulation 6 or they believe on reasonable grounds that the client meets one or more of the other following descriptions of ‘specified PISCES investor’ in Regulation 5(3) of the PISCES sandbox regulations:
- A professional client as defined in Regulation 5(3)(a).
  - A high-net worth individual as defined in Regulation 5(3)(b).
  - A high-net worth company or unincorporated association as defined in Regulation 5(3)(c).
  - A sophisticated investor as defined in Regulation 5(3)(d).
  - A self-certified sophisticated investor as defined in Regulation 5(3)(e).
  - A relevant trustee of an employee share scheme of the relevant PISCES company as defined in Regulation 5(3)(g).
  - A trustee of a share incentive plan of the relevant PISCES company as defined in Regulation 5(3)(h).
- 5.5** The Treasury set out its intention to modify the FPO to create a new exemption for the sandbox in paragraph 6.2 of its [PISCES Consultation Response](#). The proposal was to exempt mandated public market disclosures from the financial promotion restriction and was to be modelled on Article 67 of the FPO. The financial promotion restriction

would still have applied to any communication not meeting this new exemption, or any existing exemption.

- 5.6** The Treasury have modified the FPO to introduce an exemption to the financial promotion restriction for certain communications about PISCES shares. These are communications that are broadly made through PISCES disclosure arrangements or required by our rules. The Treasury have also amended Article 3 of the FPO to ensure that shares are not considered 'listed' under the FPO. This allows companies and others to continue to rely on the existing exemptions for high-net worth and self-certified sophisticated investors, which are designed for unlisted companies.

### Our response

We have assessed the proposals set out in CP24/29 in light of this new exemption and legislative changes. The promotion rules set in Chapter 7 of CP24/29 will continue to apply to intermediaries when communicating a financial promotion which is not exempt. As well as this new exemption, pre-existing FPO exemptions may also apply. Any communication made within scope of an FPO exemption will not need to comply with the Consumer Duty or our financial promotion rules. This includes requirements to:

- Be fair, clear and not misleading, as set out in the Conduct of Business sourcebook (COBS) 4.2.
- Not include incentives to invest, as set out in PS 5.3 of the PISCES sourcebook.
- Include a general risk warning as set out in PS 5.4 of the PISCES sourcebook.

Exempt financial promotions will also not need to be approved by an authorised person.

There is no requirement for PISCES operators or intermediaries to determine if investors are eligible to trade on a PISCES before these investors access disclosures. This means it is possible that investors who are not eligible to trade on PISCES may be able to access this material. This could contain misleading financial promotions. If a person who is not a 'specified PISCES investor' can see a misleading promotion about a PISCES share, they may be induced to inappropriately self-certify as a sophisticated investor so they can invest in that share.

We have seen examples of investors inappropriately self-certifying to invest in other products. In 2022, we undertook behavioural testing looking at high-risk investments. This showed that even our most effective changes to the declaration forms still resulted in twice the proportion of consumers self-certifying as either high net worth or sophisticated, compared to those who claimed they met the criteria. In the context of PISCES, this risk of inappropriate self-certification is greater if ineligible investors can see promotions that do not need to comply with our financial promotion rules, as there is a greater risk that this will be a misleading financial promotion.

To help manage (but not eliminate) some of these risks, we will consider how an operator has addressed this when we assess the PISCES operators' systems and controls as part of their sandbox application. This will be part of our general assessment that a PISCES operator has comprehensively assessed and understood the risks to the operation of its PISCES and implemented appropriate mitigating steps, such as conditions or limitations on a PISCES operator's PAN as set out in PS 1, 1.3.9G(3) in Appendix 1.

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## Banning incentives to invest

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- 5.7** In CP24/29, we proposed that when communicating or approving a financial promotion involving a PISCES share, firms should be banned from offering either monetary or non-monetary benefits that incentivise investment. This is in line with our current financial promotion rules for Restricted Mass Market Investments (RMMIs).
- 5.8** Most respondents agreed with the incentives ban as this aligned with the approach for other products with similar risk profiles. A few respondents disagreed, saying investors on PISCES should be sophisticated and so would not need this protection. There were some calls for clarity on what incentives would be included.

### Our response

We are proceeding with the ban on incentives to invest, given both the generally supportive feedback and our intention to align the PISCES rules to the rules for RMMIs.

As set out in CP24/29 we are aligning the PISCES rules with the rules for RMMIs. We consider the risks for retail investors of investing in PISCES shares are broadly comparable to the risk of investing in other unlisted shares, such as on investment based crowdfunding platforms, for example, investors:

- May not have frequent opportunities to sell PISCES shares on the platform and in some scenarios may have to try to find a buyer themselves – which may not be possible.
- Are typically investing in companies or individuals about whom limited public information may be available.
- Could lose all the money they invest and may not be eligible for compensation.

Our financial promotion rules categorise Non-Readily Realisable Securities (NRRS) that can be sold either directly by the issuer or through an intermediary such as a crowdfunding platform. These rules help investors understand the risks in investing in NRRS. We consider it appropriate and proportionate to base our requirements on these existing rules, given the comparable risks of investing in PISCES shares.

We consider that incentives to invest can unduly influence consumers' investment decisions, without fully considering the risks involved. This applies to retail investors who are eligible to invest in PISCES shares.

These rules are intended to capture monetary and non-monetary incentives such as refer a friend or new joiner bonuses. Please see PS 5.3.3 G for more examples on what this may include. 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 that intermediaries can give consumers about the investment.

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## Risk warning

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- 5.9** We proposed that intermediaries must not communicate or approve a financial promotion involving a PISCES share unless it contains a risk warning that complies with our rules. We proposed to use the existing standard risk warning for NRRS to help consumers understand the key risks of the investment:

**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.**

- 5.10** We proposed intermediaries must also show retail investors a personalised risk warning before they distribute 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.**

- 5.11** The 'Take 2 minutes to learn more' link leads to a risk summary setting out some of the key risks of investing in a PISCES share. The wording in this risk summary is adapted from existing requirements for unlisted shares. We added a new section to highlight the risks of investing through a new, test trading platform, and made minor changes to account for the PISCES specific risks. We also proposed that intermediaries would be allowed to tailor a template risk summary if they have a valid reason for doing so.
- 5.12** Many respondents agreed with our proposals and supported our alignment with current rules for investments with similar risk profiles. Some responses said the nature of the work of 'specified PISCES investors' falling within the 'qualifying individual' category may not necessarily give them a greater understanding of the risks of investing in a high-risk investment like PISCES shares. These investors would particularly benefit from risk warnings.

- 5.13** Some respondents recognised the need for risk warnings for retail investors generally but suggested that we could take a lighter touch approach given the level of sophistication of 'specified PISCES investors'. A few respondents disagreed with the proposed approach to risk warnings, noting the perceived lack of effectiveness of these risk mitigation tools in practice. Responses to the PISCES market risk warning also said having multiple risk warnings may reduce the effectiveness of each individual warning.
- 5.14** One response asked us to clarify what needs to be included when tailoring risk warnings.
- 5.15** Others suggested that having risk warnings in place should be enough to broaden the scope of who is an eligible investor and align with other HRI markets.
- 5.16** One response raised the need for intermediaries' costs to be proportionate, given the 'private-plus' model PISCES adopts.

### Our response

We are proceeding with our proposed rules for risk warnings.

We do not think a lighter-touch approach to risk warnings is appropriate, as not all 'specified PISCES investors' will be sophisticated investors. Risk warnings help retail investors understand the risks of an investment and the level of regulatory protection they have when they invest. Each risk warning is presented at a specific point of the consumer journey and is designed to help retail investors engage with the risk of investing in a PISCES share. The general risk warning and the personalised risk warning are designed to complement each other, and we do not view them as substitutes for each other.

The risk warnings themselves cannot be tailored. Our rules for risk warnings are informed by our behavioural research and designed to get the most effective engagement from consumers.

The risk summaries can be tailored. However, this should only be done for a valid reason. For example, if the information would be misleading or is irrelevant, or if an additional risk should be included for the investment. We have left this open for intermediaries to determine how best to tailor to the particular circumstances, but intermediaries must record their rationale for any changes.

We do not consider that these rules will place disproportionate costs on intermediaries as they align with our current rules for other investments with similar risk profiles.

While we are proceeding with the proposed rules for PISCES risk warnings, we acknowledge the feedback we have received on risk warnings in general. Going forward, we will consider this wider feedback, including how we ensure risk warnings are appropriately balanced and properly present both the risk and reward to consumers.



## Investor categorisation and eligibility

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### Client categorisation

- 5.17** We proposed that before distributing a PISCES share, intermediaries must establish on reasonable grounds that an individual retail investor is eligible to invest in the PISCES share.
- 5.18** The PISCES sandbox regulations set out the criteria for retail investors to be eligible to trade on PISCES.
- 5.19** Most respondents agreed with our proposal to require intermediaries to establish that an individual retail investor is eligible to invest in the PISCES share before distributing a PISCES share. They highlighted the importance of ensuring only eligible investors can participate and of protecting the integrity of the market. Some respondents also agreed with our proposed rules and guidance on the 'specified PISCES investor' categories, finding them fair and reasonable.
- 5.20** Some disagreed as they wanted greater access for other retail investors. They suggested that those familiar with other RMML investments should also be able to invest.

### Our response

We intend to proceed with our rules on PISCES investor categories, as consulted. However, we have clarified that our promotion and distribution rules apply to communications and distributions to persons in the UK. This is broadly to align with the territorial application of the obligation to check investor eligibility under the PISCES sandbox regulations.

The Treasury has set out in their PISCES sandbox regulations the limited subset of retail investors who can invest in PISCES shares. Private companies whose shares are traded on PISCES will meet lower levels of disclosure and investor protection than shares traded on public markets, thus requiring greater investor protections. However, the Treasury explained in its [consultation response](#) that, subject to the outcome of the sandbox and a review of investor protections, it will consider whether to expand the categories of retail investors who may participate.

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### Restricted investor statement

- 5.21** We proposed that 'qualifying individuals' should be given similar protections to a 'restricted investor' under our current rules in COBS 4.12A, as they may have varying abilities to withstand loss. Qualifying individuals will have to sign an adapted 'restricted investor statement' that 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 in high-risk investments. The statement includes PISCES shares as an example of a high-risk

investment. We proposed that intermediaries must confirm that qualifying individuals (who are not high net worth or sophisticated investors) have completed and signed an adapted version of the restricted investor statement. The completed statement should indicate that qualifying individuals meet the criteria to be a restricted investor, before an intermediary distributes PISCES shares to them.

- 5.22** Most respondents supported the restricted investor statement, saying it was a proportionate step. Some respondents questioned how qualifying individuals would determine if they have met the 10% threshold and how employee share schemes would fit into the 10% calculation.
- 5.23** Some respondents disagreed, arguing the 10% threshold is too low. One respondent said the full restricted investor statement may not be necessary and suggested an alternative, bespoke version, for qualifying individuals.

### Our response

The 10% figure reflects the % of total investing set out in the restricted investor statement for regular RMMLs. This reflects the rule of thumb that an investor should not invest more than 10% of their money in high-risk investments. As we have assessed PISCES shares as comparable in terms of risk, we think it is appropriate to reflect the same percentage in the restricted investor statement for PISCES.

When calculating the amount invested in high-risk investments, retail investors should aggregate investment across all types of high-risk investments. Employee share schemes, where the underlying asset would qualify as a high-risk investment, should be considered as part of the 10% figure as this is a high-risk investment that could result in loss. Further, if a qualifying individual participating in their employer's employee share scheme was to buy additional shares in their employer through PISCES, they would have a high exposure to one company. We want this to be considered and reflected when calculating the 10% threshold. We intend to reflect this by amending the restricted investor statement in PS 5 Annex 2 to clarify that unlisted shares acquired through an employee share scheme should be included in the 10% threshold calculation.

## Assessing appropriateness

- 5.24** We proposed that a firm can only distribute a PISCES share once it has assessed that the share is appropriate for the relevant retail investor, based on their knowledge and understanding of the risks. We 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.

- 5.25** Respondents generally agreed with our proposals, stating retail investors need additional protections and this aligns with the approach to other investments with similar risk profiles.
- 5.26** Some responses suggested that tests should be optional and only for those doing the test the first time.
- 5.27** Some suggested that appropriateness tests would be burdensome to implement, particularly for intermediaries. One respondent asked whether investors selling shares previously purchased would need to take the test again. Another respondent asked us to consider situations where employees are required to invest their own money in the company and how the appropriateness test could affect their ability to buy PISCES shares.

### Our response

We are proceeding with our requirement for intermediaries to complete an appropriateness assessment. However, we have reflected on the customer journey and when firms should be required to take certain steps. To help clarify when these steps should take place, we have amended our rules so that the appropriateness test must be completed before an order is placed rather than before a firm distributes a PISCES share to a retail investor. Please see Figure 1 which provides an example of the customer journey and how intermediaries could apply these rules.

The appropriateness assessment is a necessary step in the retail investor journey, acting as a key tool for investor protection. Requiring the appropriateness assessment is in line with the approach taken for other investments with similar risk profiles.

The appropriateness assessment is designed to assess if retail investors have the necessary knowledge and experience to understand the risks of the investment. We believe it is important to ensure that a high-risk investment, such as PISCES shares, is always appropriate for a retail investor. An investor may buy shares in PISCES companies at different growth stages. Not all PISCES investments will be equally appropriate for a retail investor. This is why we require the assessment to be completed for every purchase of a PISCES share.

An appropriateness assessment should be undertaken where the retail client is an individual and a potential investor in PISCES shares. Those selling a PISCES share would not be expected to complete an appropriateness test before doing so.

We have considered the likely impact on employees who are required to invest their own money into their company and do not think the appropriateness test will affect their ability to buy shares. It is unlikely a PISCES company would require all shares are bought through a PISCES, as they would not be able to guarantee that the requisite number of shares are available.

## Cooling off period

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- 5.28** We proposed that when a PISCES share has been assessed as appropriate for a new PISCES investor, a firm must wait 24 hours before placing an order. This rule would only apply the first time a PISCES investor buys a PISCES share through a particular firm.
- 5.29** Some respondents agreed with our proposal, as it was necessary for consumers to be able to have the time to consider the decision to invest.
- 5.30** Some respondents disagreed as they felt it created unnecessary friction and that the existing protections were enough for retail investors. A few respondents were concerned that given the intermittent nature of the trading events, the cooling off period could block investors from investing.
- 5.31** One respondent agreed with the cooling off period but felt 24 hours was not long enough to be effective. Another agreed, highlighting that it is unlikely the market would move significantly in 24 hours in a way that would cause investors to get a better or worse deal unless the trading window had closed.

### Our response

We are introducing a 24-hour cooling off period. This reflects the time set out for RMMLs. As with the appropriateness test, we have clarified in the rules that we expect this to take place before an order is placed, rather than before a firm distributes a PISCES share to a retail investor. Please see Figure 1 for more information.

We consider the 24-hour cooling off period a necessary friction to ensure a slower investment process the first time an investor buys a PISCES share, giving retail investors sufficient time to reflect on their decision-making.

We do not consider that the impact of the cooling off period on intermittent trading events will result in investor detriment. In practice, investors should be informed in advance that the trading window is going to take place, so it is unlikely they will be unable to trade due to the 24-hour period running over the closing date. We also consider it necessary to have a 24-hour period to mitigate against overly short trading windows, which could cause an investor to feel pressure to make an investment decision they have not had time to fully consider.

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## Conditions for disapplying distribution requirements

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- 5.32** We proposed that a firm would not have to perform categorisation of a retail investor where it was satisfied this requirement had been completed by another firm, for example, another intermediary in the chain. We also proposed that a firm would not have to perform an appropriateness test where the investor is getting advice.

- 5.33** To align more closely with the current requirements for RMMI's, we have amended the rules. An intermediary does not need to meet certain requirements relating to the distribution of a PISCES share where it is satisfied, on reasonable grounds, that another firm has already met those requirements. The requirements include the personalised risk warning, the investor categorisation, the appropriateness assessment and the cooling off period.
- 5.34** A firm also does not need to meet these requirements where it is satisfied that a suitability assessment has been done, in line with COBS 9 or 9A, for that investor, in relation to an investment in the relevant PISCES share.

## Record keeping requirements

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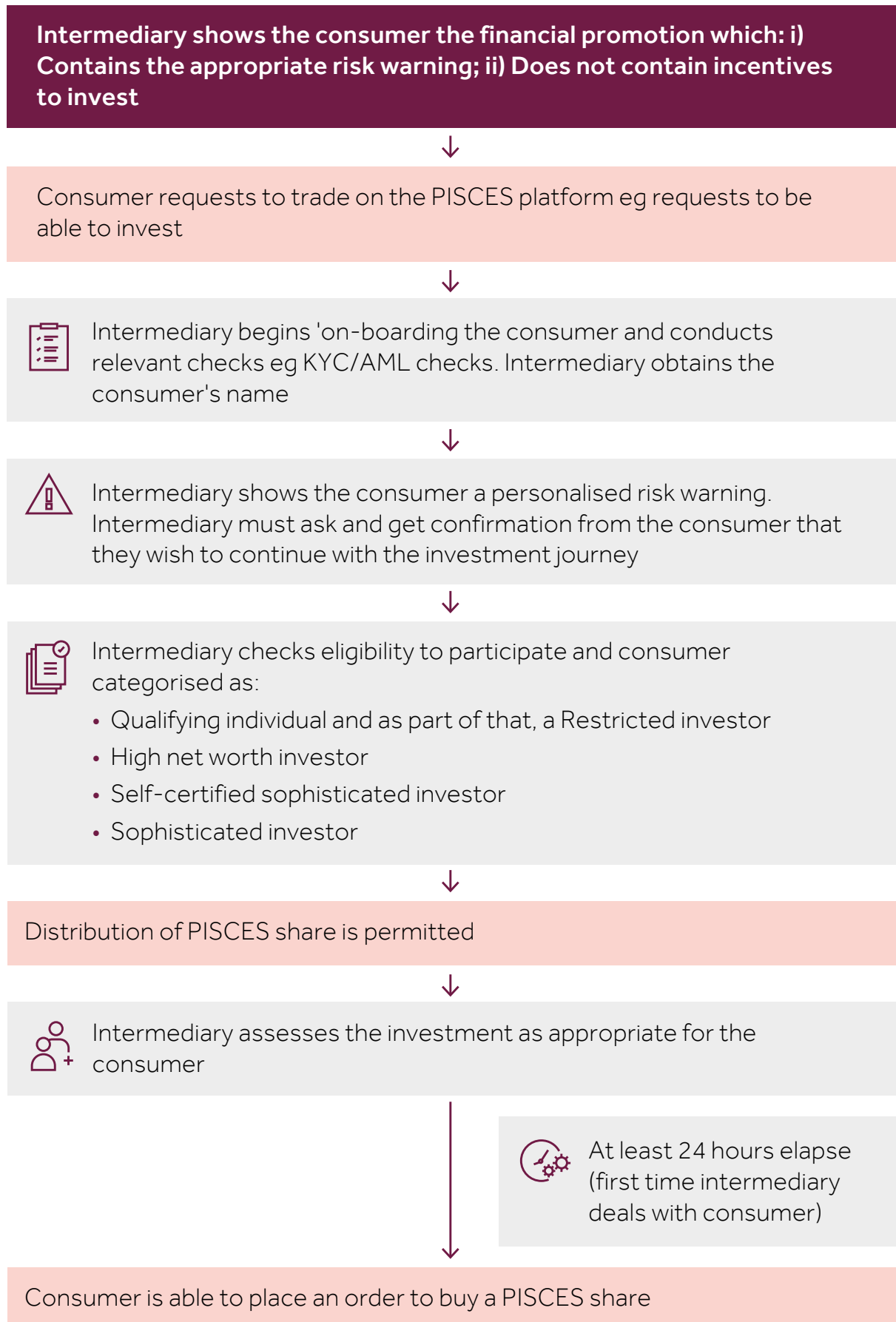
- 5.35** We proposed that a firm must make an adequate record of any financial promotion it communicates, approves or confirms compliance for. We proposed to apply the same record keeping requirements as those for direct offer financial promotions for RMMIs, including metrics covering client categorisation and appropriateness assessments.
- 5.36** We also reiterated that 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.
- 5.37** Almost all respondents agreed with our record keeping proposals. One respondent asked for more detail on record-keeping requirements.

### Our response

Given the general agreement from respondents, we do not propose to change the substance of the rules we consulted on. However, to better align with our recording keeping requirements in SYSC, we now provide that records should be kept for at least 5 years, instead of just 5 years.

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



## Chapter 6

# Modified application of Handbook rules and guidance

- 6.1** This chapter outlines our response to the feedback to 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 the other chapters, and to 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).

## Applying MAR (Market Conduct)

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### Applying MAR 5

- 6.2** 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 sets out key requirements for operating a multilateral trading facility (MTF) – will not apply to a PISCES platform unless it is modified to do so.
- 6.3** Nevertheless, there will be notable similarities between a PISCES platform and an equity market MTF. So, we proposed to apply certain regulatory requirements in MAR 5 to all PISCES operators (whether they are an RIE or a firm).
- 6.4** Our proposed approach to MAR 5 intended to ensure the key tenets of the regulatory framework for MTFs will remain in place for PISCES. Beyond this, we proposed to modify MAR 5 to reflect that PISCES is intended to be a 'private-plus' market.
- 6.5** Two thirds of respondents agreed with our proposed approach to MAR 5. Substantive points raised were:
- Two respondents disagreed in principle with applying any MAR sourcebooks to PISCES. One respondent said that MAR provisions are designed for public markets; another argued that selectively applying our rules to PISCES could cause confusion for market participants. A further respondent did not seem to disagree with our proposals but flagged that operators who have not run an MTF before may not be familiar with MAR 5, so their applications to join the PISCES sandbox may take longer.
  - Some respondents raised questions on or suggested edits to specific MAR 5 provisions, notably:
    - One respondent asked for more clarity on the requirement for operators to hold sufficient financial resources – modified MAR 5.3.1AR(3). They said that if significant capital reserves were required then this could be a significant barrier for prospective PISCES operators who did not already operate trading venues. They also asked us to lower our requirements for operators to disclose

their wind down planning and business continuity arrangements in their PAN applications – which is relevant to modified MAR 5.3A.2R(4).

- Two respondents noted that, where PISCES platforms use periodic auction trading systems and companies set price parameters, changes in the pre-execution indicative price are unlikely to be considered significant enough to require a halt in trading. They asked us to amend our modified application of MAR 5.3A.5R(1) to reflect this.
- Two respondents suggested we should further simplify our modified MAR 5.3A.11R requirements on operators' fee structures, so that they are only required to be transparent, fair and non-discriminatory. They said that this would allow operators more flexibility to set appropriate fees for this new kind of business model.
- One respondent disagreed with our requirements for operators to monitor transactions on their systems to identify conduct that may be an offence under section 89 (Misleading statements) and section 90 (Misleading impressions) of the Financial Services Act 2012 – modified MAR 5.5.1R(2). They also disagreed with our modified MAR 5.6.1R requirement that operators must report conduct that may involve such offences to us. They argued it is unclear how operators would monitor transactions to identify these offences and so they may just pass this obligation on to intermediaries.
- As outlined at paragraph 3.28, two respondents disagreed with the requirement that an operator must not suspend or remove a PISCES share from trading where such a step would be likely to cause significant damage to investors' interests or the orderly functioning of the PISCES – modified MAR 5.6A.1R(1). Another respondent asked if operators would need to make public any decision to suspend or remove a PISCES share from trading.

## Applying MAR 5AA

- 6.6** 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 MAR 5AA.1.1R in 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 organised trading facility (OTF)'.
- 6.7** Although PISCES platforms will be multilateral systems, the clear intent of the PISCES sandbox regulations is that they will not have to be operated as MTFs under the PISCES sandbox arrangements. So, we proposed to apply MAR 5AA to firms operating a PISCES in a modified way which would enable them to also operate a multilateral system as a PISCES platform, within the PISCES sandbox only.
- 6.8** Over three quarters of respondents agreed with our proposed approach to MAR 5AA. While a few respondents disagreed with applying any MAR sourcebooks to PISCES, no substantive points were raised regarding our proposed modification of MAR 5AA.



## Our response

Given that most respondents (including potential operators) broadly agreed with our proposed approach, we will proceed with applying a modified version of MAR 5 to PISCES. We will also apply a modified version of MAR 5AA to PISCES as consulted.

Our application of MAR 5 does not affect the fact that the UK Market Abuse Regulation will not apply directly to shares traded on a PISCES platform.

We recognise that, while prospective PISCES operators who already operate an MTF will likely be familiar with MAR 5, others may not be. We want to help all operators get ready for PISCES as soon as is feasible and welcome requests for preliminary feedback on proposed operating models and draft rulebooks. See paragraphs 1.39 to 1.41 above.

We recognise concerns that MAR 5 is better suited to public markets than platforms for trading shares in private companies like PISCES. However, we consider that many of the sourcebook's requirements are fundamental to operating any platform that enables the multilateral trading of shares. Moreover, where there is a strong argument that certain MAR 5 provisions are not appropriate for the PISCES sandbox, we can disapply them for PISCES operators. Paragraphs 8.12 to 8.26 of CP24/29 summarise the key modifications on which we consulted. In addition to these, our final rules will:

- Not apply the modified MAR 5.3A.5R(1) for an operator to temporarily constrain trading if there is a significant price movement in a PISCES share. Instead, we will provide additional guidance that, where an operator enables PISCES trading events that involve a time-limited period of continuous trading, its rules and procedures must include appropriate volatility controls for fair and orderly trading.
- Retain our modified application of MAR 5.3A.11R(1) so that an operator's fee structure must be transparent, fair and non-discriminatory – but not impose any further requirements on fee structures.
- Modify our application of MAR 5.5.1R(2) so that operators are not required to monitor transactions for misleading statements. However, as described above, as part of operator oversight arrangements for disclosures, we would expect operators to have arrangements for investigating complaints regarding misleading statements. On this basis, we will retain as consulted the requirement for operators to report conduct that may involve offences under section 89 (Misleading statements) or section 90 (Misleading impressions) of the Financial Services Act (FSA) 2012 to us – modified MAR 5.6.1R.
- As explained in our response below paragraph 3.28, we will not apply MAR 5.6A.1R. We will instead set guidance that operators should consider both the interests of investors and orderliness of their PISCES platforms in deciding whether to postpone, suspend or terminate a trading event. As outlined at paragraph 3.26 above, our PISCES

Sourcebook will also require PISCES operators to both make public and notify us of any decision to postpone, suspend or terminate trading events.

We also want to clarify that:

- Our modified MAR 5.3.1AR(3) requirement for operators to hold sufficient financial resources must be interpreted in light of the fact that we will apply the Prudential Sourcebook for MiFID Investment Firms (MIFIDPRU) rules to all firms operating a PISCES as if they were operating an MTF. This means that the permanent minimum capital requirement for firms operating a PISCES will be £150,000. We consider this baseline to be an appropriate starting point for firms. RIEs are subject to high-level prudential requirements in the RRRs, which the Treasury set, and our REC sourcebook, as modified for PISCES.
- We will apply our MAR 5.3A.2R(4) requirement that operators must have effective business continuity arrangements proportionately – reflecting the ‘private-plus’ nature of the PISCES sandbox and each operator’s size and target investor base. For clarity on our expectations for wind down planning, firms should refer to our [Wind-down Planning Guide](#). As above, RIEs should refer to the RRRs and REC, as modified for PISCES.

Table 1 below lists the modified MAR 5 provisions that our final rules will apply to all PISCES operators. Any MAR 5 provisions that are not listed below will not apply.

**Table 1: Application of MAR 5 provisions to PISCES operators**

MAR 5 provisions that we will apply to PISCES operators	Modifications to applied MAR 5 provisions	Summary of the applied MAR 5 provisions
MAR 5.1.4R	New provision for PISCES operators: read as ‘A contravention of the rules in MAR 5 does not give rise to a right of action by a private person under section 138D of the Act (and each of the rules in MAR 5 is specified under section 138D (3) of the Act as a provision giving rise to no such right of action)’	A breach of the MAR 5 provisions applied to PISCES operators will not give rise to a right of private action under s138D of FSMA 2000. See paragraphs 8.27 to 8.29 of CP24/29 for more detail
MAR 5.3.1R (1), (2), (2A), (3), (4) and (6)	For MAR 5.3.1R (1), additional guidance that, if a PISCES operator enables PISCES trading events that involve a time-limited period of continuous trading, its rules and procedures must include appropriate volatility controls for fair and orderly trading	The rules, procedures and arrangements that an operator must put in place for trading

MAR 5 provisions that we will apply to PISCES operators	Modifications to applied MAR 5 provisions	Summary of the applied MAR 5 provisions
MAR 5.3.1AR (2), (3) and (6)	For MAR 5.3.1AR (3), treat the word 'authorisation' as if it were deleted and replaced with 'the issuance of a Pisces approval notice' Treat MAR 5.3.1AR (6) as reading: 'provide a description of any material changes to the information previously submitted to the FCA which would be relevant to an assessment of the Pisces operator's compliance with its regulatory obligations to the FCA as soon as reasonably practical'	The risk management arrangements and financial resources that an operator must have in place
MAR 5.3A.1R	None	The requirement that an operator's systems and controls must be adequate, effective and appropriate for its business
MAR 5.3A.2R (1), (2), (3), (4) and (5)	None	Areas that the above requirement particularly applies to (eg the resilience of an operator's trading systems). For PISCES, this does <u>not</u> include requirements we consider most relevant for algorithmic trading systems
MAR 5.3A.5R (2)	None	The requirement for an operator to have the ability to, in exceptional cases, cancel, vary or correct transactions
MAR 5.3A.11R (1)	None	The requirement that an operator's fee structures are transparent, fair and non-discriminatory
MAR 5.4.1R (1) and (2)	None	An operator's responsibilities to help ensure efficient settlement of the transactions that take place on its platform

MAR 5 provisions that we will apply to PISCES operators	Modifications to applied MAR 5 provisions	Summary of the applied MAR 5 provisions
MAR 5.5.1R (1) and (2)	For MAR 5.5.1R (1), treat the reference to 'market abuse' as if it were deleted and replaced with 'an offence under section 90 (Misleading impressions) of the Financial Services Act 2012'	An operator's responsibility to monitor its users' compliance with its rules. Moreover, its responsibility to monitor transactions on its system for breaches of its rules, disorderly trading conditions, system disruptions, or conduct that may be an offence under section 90 (Misleading impressions) of the Financial Services Act 2012
MAR 5.6.1R (1), (2) and (3)	For MAR 5.6.1R (1), (2) and (3), treat the references to 'market abuse' as if they were deleted and replaced with 'an offence under section 89 (Misleading statements) or 90 (Misleading impressions) of the Financial Services Act 2012'	<p>An operator's responsibility to report breaches of its rules, disorderly trading conditions, system disruptions, or conduct that may be an offence under section 89 (Misleading statements) or section 90 (Misleading impressions) of the Financial Services Act 2012 to the FCA (or other relevant authorities) without delay.</p> <p>An operator's responsibility to provide full assistance to the FCA (or other relevant authorities) on the investigation or prosecution of an offence under section 89 (Misleading statements) or 90 (Misleading impressions) of the Financial Services Act 2012 occurring on or through its systems</p>

MAR 5 provisions that we will apply to PISCES operators	Modifications to applied MAR 5 provisions	Summary of the applied MAR 5 provisions
MAR 5.6.2R (1) and (2)	None	An operator's responsibility to give the FCA a summary of any proposal to introduce, amend or renew a scheme for rebating or waiving fees or changes levied on members or participants, and of any changes that consequently take place
MAR 5.6.3R	None	The form that must be used to inform the FCA of the type of proposal outlined above

## Private Rights of Action

- 6.9** We proposed 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 – see paragraph 8.27 to 8.29 of CP24/29 for further information. We received no objections to our proposal.

### Our response

We are proceeding as proposed to disapply s138D of FSMA 2000 for breaches of our modified application of MAR 5.

Our final rules will also ensure that breaches of rules in PS 1, PS 2, PS 3 and PS 4 – ie bespoke rules on the scope of the PISCES sandbox arrangements and for PISCES operators on disclosures, organising trading events and monitoring for market manipulation – do not give rise to private rights of action under s138D of FSMA 2000.

As for MAR 5, this reflects the fact that operators will be running a new type of 'private-plus' 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's PISCES liability regime will enable investors to seek appropriate recourse from PISCES companies for issues with the completeness and accuracy of disclosures. This regime aims to establish a minimum consistent level of protection across investors participating on PISCES.

Breaches of rules in PS 5 – ie rules for firms promoting and distributing PISCES shares to retail investors – by an authorised person will continue to give rise to private rights of action under s138D of FSMA 2000,

where that investor suffers loss as a result of the breach. The current application of s138D of FSMA 2000 to all other relevant sourcebooks in our Handbook will also remain unchanged for the purposes of the PISCES sandbox.

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## Applying REC (Recognised Investment Exchanges)

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- 6.10** RIEs that operate a PISCES platform will also be subject to the RRRs, as well as any accompanying rules and guidance in REC in our Handbook. See the PISCES sandbox regulations for details on how the RRRs apply to the PISCES sandbox. We proposed 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 apply directly to shares traded on a PISCES platform.
- 6.11** Most respondents agreed with our proposed approach. One respondent appeared neutral on our approach but raised concerns that the Treasury's application of the RRRs may impose a high burden on RIEs.

### Our response

We intend to proceed with our proposed modifications to REC. As explained in our response below paragraph 3.10, we will also add guidance to REC on the factors we will consider when assessing if an RIE's rules on permissioned trading events meet their requirements under the RRRs.

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## Applying PRIN (Principles of Business), SYSC (Senior Management Arrangements, Systems and Controls), MIFIDPRU (Prudential), COBS (Conduct of Business), SUP (Supervision), and COLL (Collective Investment Schemes)

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- 6.12** We proposed to apply the rules and guidance in PRIN, SYSC, MIFIDPRU, COBS, and SUP for a PISCES platform as they apply for an MTF, subject to the following further proposals:
- COBS 4.12A (promotion of restricted mass market investments) and COBS 10A (appropriateness) do not apply to PISCES, reflecting the bespoke conduct rules we proposed to apply to distributing PISCES shares and relevant communications.
  - The provisions in COBS 1 Annex 1R, which would consequently disapply certain COBS rules, are also relevant to a PISCES platform.
  - SUP 17A (transaction reporting and supply of reference data) would not apply to a PISCES platform. It is not relevant because of the amendment to MiFIR under the PISCES sandbox regulations.

**6.13** When applying COLL, we proposed that amendments are made directly to the COLL sourcebook and that:

- An Undertakings for Collective Investment in Transferable Securities (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.
- 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.
- It is acceptable for there to be no UCITS-equivalent rule for a Non-UCITS retail scheme (NURS) to prevent it investing in a derivative on a share in a PISCES company, given the broader investment policies of NURS compared to UCITS schemes.

**6.14** We received 10 responses, with 4 respondents agreeing with our proposals, and 2 others mostly agreeing but noting they thought the proposed prudential requirement should be lower. One respondent provided neutral feedback, and 3 respondents disagreed with specific aspects of our proposals:

- Two disagreed with our proposals for COLL. They said there was an opportunity to provide additional liquidity flexibility for fund managers, and that it would be unwelcome for PISCES shares to be categorised as illiquid securities. They suggested we created a new category of liquidity headroom between the existing 10% and 20% limits.
- One respondent suggested that we should not apply the existing Handbook to PISCES alongside bespoke rules and guidance set out in the PISCES legal instrument. Instead, they suggested we develop a more simplified single standalone document for PISCES of less than 50 pages and containing a page of principles.

#### Our response

We intend to proceed with our proposed approach. Regarding the feedback on COLL, we are considering this separately as part of our broader work on fund management and is therefore not being currently and solely addressed for PISCES.

## Applying DEPP (Decision Procedure and Penalties manual)

**6.15** We are required by s210 and s395 of FSMA to publish statements of our policy on the imposition of sanctions under Part 14 and its procedures for issuing warning and decision notices. These are published in DEPP in our Handbook. The PISCES sandbox regulations apply a modified version of FSMA to PISCES (PISCES FSMA). The requirements under s210 and s395 to publish statements of policy and procedures also apply under PISCES FSMA, and therefore we are making minor consequential amendments to DEPP to apply the existing statements of our policy and procedures

to the imposition of sanctions and the issuing of warning and decision notices under PISCES FSMA. The normal requirement to consult on these statements of policy under s211 and s396 of FSMA has been disapplied in PISCES FSMA.

## The Financial Ombudsman Service

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- 6.16** We proposed that the protections afforded by the Financial Ombudsman should be available to investors in shares traded on a PISCES platform in the same way, and to the same extent, as investors in shares generally. We proposed that this would also require firms to report complaints under the Dispute Resolution sourcebook (DISP) 1 Annex 1 in the same way, and that no modifications are needed to DISP to achieve this outcome.
- 6.17** We received 15 responses to our proposal to make the Financial Ombudsman's protections available to PISCES investors. Of those, 11 supported our proposal, 1 was neutral and 3 disagreed with our proposal. Those that supported our proposal said this is a fair and rational approach as it would be consistent with current consumer protections. Those that disagreed said private transactions do not benefit from the Financial Ombudsman's protections and raised concerns about the risk of spurious or complex complaints which would create a burden for PISCES companies, platforms, and the Financial Ombudsman.
- 6.18** We received 11 responses to our proposal to not modify DISP. Of those, 10 supported our proposal and 1 provided a neutral response.

### Our response

We intend to proceed with our proposed approach to remain consistent with the existing protections available to investors in shares. We will monitor the volume and nature of complaints during the sandbox period to assess whether the few concerns raised require future consideration.

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## The Financial Services Compensation Scheme

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- 6.19** We proposed that the protections afforded by the FSCS should apply to PISCES and that the Compensation sourcebook (COMP) should apply to operating a PISCES platform as they do when operating an MTF.
- 6.20** To ensure consistent FSCS coverage we also proposed that the rules in COMP 5.5.1R and 6.2.2AR are modified. This would mean they apply when an RIE is operating a PISCES platform as it does to an RIE operating an MTF.
- 6.21** We received 14 responses to our proposal to make the FSCS's protections apply to PISCES. Of those, 10 supported our proposal, 1 was neutral and 3 disagreed with our proposal. Those in favour said this is a standard protection given to investors across multiple markets, and that consistency is essential for maintaining investor confidence



and ensuring fair treatment. Those that disagreed were the same respondents who disagreed with our proposal to apply the Financial Ombudsman's protections. They argued that PISCES is a non-consumer market and that caveat emptor should apply. They also said costs would be too burdensome and suggested that an investor wanting FSCS protection to apply could ask their Independent Financial Advisor to use the platform.

- 6.22** We received 12 responses to our proposed approach to modifying COMP. Of those, 8 supported our proposal, 1 was neutral and 3 disagreed with our proposal. Those that disagreed also stated that PISCES is a non-consumer market, that caveat emptor should apply and that FSCS protections should not be in scope for PISCES.

#### Our response

We intend to proceed with our proposed approach as we consider this to be consistent with the approach to consumer protection for other similar investments available to high net worth or sophisticated retail investors. We will monitor this over the sandbox period to assess whether the few concerns raised require future consideration.

## Technical Standards

- 6.23** Regulation 15 of the PISCES sandbox regulations specifies that, where we consider it necessary or expedient for implementing and operating the PISCES sandbox arrangements, we may modify the effect of any technical standards to do so. As a result, we reviewed technical standards that may be relevant to implementing the PISCES sandbox arrangements.
- 6.24** We proposed 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 the Treasury confirmed that a transaction reporting regime for PISCES is not required. We did not consider it necessary to modify the effect of any other technical standards, and asked respondents whether they believed there were other areas requiring modifications.
- 6.25** No respondents flagged substantive concerns regarding our proposed modifications of technical standards.

#### Our response

We intend to proceed with our proposed approach.

## Handbook application summary

**6.26** Table 2 below summarises how the Handbook requirements are expressly applied by the PISCES rules to the various permissions for operators to be eligible to participate in the PISCES sandbox.

**Table 2: Application of Handbook requirements to PISCES operators**

	Modified version of MAR 5	Modified version of MAR 5AA	Modified version of REC	PRIN	SYSC	MIFIDPRU	COBS	SUP	COMP 5 5 1R & 6 2 2AR
Recognised Investment Exchange	Yes	No*	Yes	No	No	No	No	No	Applies as if the RIE is operating an MTF
Authorised firm with a Part 4A permission to arrange deals in investments	Yes	Yes	No	Applies as it does for an MTF	Applies as it does for an MTF	Applies as it does for an MTF	Other than specific sections that are disapplied, COBS applies as it does for an MTF**	Other than specific sections that are disapplied, SUP applies as it does for an MTF***	Applies as it does for an MTF
Authorised firm with a Part 4A permission to operate an MTF	Yes	Yes	No	Applies as it does for an MTF	Applies as it does for an MTF	Applies as it does for an MTF	Other than specific sections that are disapplied, COBS applies as it does for an MTF**	Other than specific sections that are disapplied, SUP applies as it does for an MTF***	Applies as it does for an MTF

	Modified version of MAR 5	Modified version of MAR 5AA	Modified version of REC	PRIN	SYSC	MIFIDPRU	COBS	SUP	COMP 5 5 1R & 6 2 2AR
Authorised firm with a Part 4A permission to operate an OTF	Yes	Yes	No	Applies as it does for an MTF	Applies as it does for an MTF	Applies as it does for an MTF	Other than specific sections that are disapplied, COBS applies as it does for an MTF**	Other than specific sections that are disapplied, SUP applies as it does for an MTF***	Applies as it does for an MTF
MiFID optional exemption firms with relevant Part 4A permissions	Yes	Yes	No	Applies as it does for an MTF	Applies as it does for an MTF	Applies as it does for an MTF	Other than specific sections that are disapplied, COBS applies as it does for an MTF**	Other than specific sections that are disapplied, SUP applies as it does for an MTF***	Applies as it does for an MTF

\* This does not mean that MAR 5AA applies unmodified to RIEs. Due to similar modifications to Paragraph 9ZD of Schedule 1 to the RRRs made by the Treasury, RIEs will be able to operate a multilateral system as a PISCES. This aligns with the position of non-RIE PISCES operators.

\*\* COBS 4.12A, COBS 10 and COBS 10A do not apply to PISCES.

\*\*\* SUP 17A does not apply to PISCES.

## Chapter 7

### Fees

- 7.1** This chapter outlines our response to the feedback on our proposed fees for PISCES operators, including our proposals for application fees (set out in Appendix 2).

#### Application fee

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- 7.2** Our consultation outlined the structure and pricing categories of our application fees. We proposed to charge a Category 6 fee for applications to operate a PISCES as this would represent a reasonable contribution towards our processing costs without being a barrier to market entry. The Category 6 fee is currently £10,880 and we are consulting in CP25/7 to increase it to £11,150 from 1 July 2025.
- 7.3** We did not propose that firms would pay another application fee at the end of the sandbox to enter the permanent regime. However, we will not reimburse the fee they have paid if they exit the sandbox.
- 7.4** Our consultation also noted our expectation to begin charging PISCES operators annual periodic fees from 2026/27 and to consult on the structure of the new PISCES fee-block, and quote an indicative fee-rate, in our annual fees policy Consultation Paper in November 2025.
- 7.5** We received 9 responses to our question about application fees. Four gave neutral or positive responses, 1 did not address the fee proposal directly but noted the overall costs, including regulatory fees, would be a significant factor in deciding whether to engage with PISCES. Four others considered the proposed application fee to be too high and disproportionate for a sandbox activity. Three of those 4 respondents also asked for authorised firms who also need to apply to vary their permission to be eligible to apply to operate a PISCES to be given a 50% discount.

#### Our response

Given the broadly neutral response to our proposal, we do not propose to change the rules on application fees we consulted on. We will not offer a discount to applicants who separately need to apply to become authorised or to vary an existing permission to meet the eligibility criteria to operate a PISCES. This is because we will need to scrutinise all PISCES operator applications to a similar standard, irrespective of whether they are already eligible to apply or need to first become eligible.

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## Annex 1

### List of respondents

We are obliged to include a list of the names of respondents to our consultation who have consented to the publication of their name. That list is:

Aave Labs

Andrew Allum

Asset Match Limited

British Private Equity and Venture Capital Association (BVCA)

Charlie Geffen, Flint Global

Chartered Governance Institute Registrars' Group

City of London Law Society (CLLS) Regulatory Law Committee

Company Law Committee of the City of London Law Society (CLLS) and the Law Society of England and Wales

Digital Moneybox Limited

Enterprise Investment Scheme Association (EISA)

Ernst & Young LLP

Floww

Globacap Technology Limited

Global Equity Organisation

Global Partnership of Family Offices (GPFO)

InfiniTx

Innovate Finance

The Institute of Chartered Accountants in England and Wales (ICAEW)

The Investment Association

JMW Solicitors LLP

Latham & Watkins LLP

London Stock Exchange Group

Mishcon de Reya LLP

Peel Hunt LLP

Pricewaterhouse Coopers LLP

Quoted Companies Alliance

Rebuilding Society Limited

The ScaleUp Institute

Share Plan Lawyers Group

Startup Coalition

Tapestry Compliance Limited

Taylor Wessing LLP

UK Business Angels Association

UK Crowdfunding Association

UK Finance and the Association for Financial Markets in Europe (AFME)

Up Investments Limited

White Label Crowdfunding Limited

## Annex 2

### Abbreviations used in this paper

Abbreviation	Description
<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>DEPP</b>	Decision Procedure and Penalties manual
<b>DISP</b>	Dispute Resolution sourcebook
<b>EMI</b>	Enterprise Management Incentives
<b>ESG</b>	Environmental, social and governance
<b>FCA</b>	Financial Conduct Authority
<b>FPO</b>	Financial Promotion Order
<b>FSA</b>	Financial Services Act 2012
<b>FSCS</b>	Financial Services Compensation Scheme
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>HRI</b>	High-Risk Investments
<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>NURS</b>	Non-UCITS retail scheme
<b>OTF</b>	Organised trading facility

Abbreviation	Description
<b>PAN</b>	PISCES Approval Notice
<b>PASS</b>	Pre-Application Support Service
<b>PISCES</b>	Private Intermittent Securities and Capital Exchange System
<b>PRIN</b>	Principles for Businesses
<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>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 MiFIR</b>	UK Markets in Financial Instruments Regulation



## Appendix 1

### **Made rules (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);
    - (b) section 138D (Actions for damages); and
    - (c) section 139A (Power of the FCA to give guidance);
  - (2) regulation 14 (Making of FCA rules) and regulation 15 (Modification of technical standards) of the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025 (SI 2025/583).
- 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 10 June 2025.

### Making the Pisces sourcebook (PS)

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

[*Editor’s note:* though the Pisces sourcebook forms part of the FCA Handbook as an instrument containing rules and guidance made by the FCA, this sourcebook will not be digitally incorporated into the Handbook website.]

### 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  
9 June 2025

## Annex

### Pisces sourcebook (PS)

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

[*Editor's note*: the terms that are defined in PS App 1 are formatted in bold in this Annex for the convenience of the reader. Existing terms that are already defined in the Handbook Glossary of definitions are 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' 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 **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 a **Pisces share**, or distributing a **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 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*
- (3) *DEPP*; and
- (4) the *Glossary* in respect of the amendments to *COLL*, *FEES* and *DEPP*.

#### 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’ 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 trading practices occurring on a *Pisces*; and
  - (b) *guidance* on the application of the *Market Abuse Regulation* in connection with **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 a **Pisces share**, or distributing a **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(3) of the *Pisces sandbox regulations* as a multilateral system which, among other things:
- (a) is for the trading of **Pisces shares** in intermittent trading periods;
  - (b) brings together multiple buying and selling interests in **Pisces shares**, 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 **Pisces shares**:
    - (i) when the *shares* may be traded;
    - (ii) the persons or categories of person who may buy or sell 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 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 the *Recognition Requirements Regulations*.
- (3) However, Part 5 of Schedule 1 to the *Pisces sandbox regulations* modifies the application of *MiFIR* so that a *Pisces* subject to approval under regulation 10 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 the *Recognition Requirements Regulations* are modified in **PS 6** and Part 3 of 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 10 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 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 the purposes of the *Pisces sandbox regulations*, ‘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 R An application must also contain a description of any waivers or modifications that the applicant considers appropriate (see **PS 1.5**).

1.3.5 G See also:

- (1) **PS 2.2.12R** 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

1.3.6 G Where the *FCA* considers the information in the application to be insufficient or unsatisfactory, it may require further information under regulation 9(3) of the *Pisces sandbox regulations*.

Determining an application

1.3.7 G (1) The *FCA* may:

- (a) approve the application with such conditions, limitations or restrictions as the *FCA* considers appropriate; or
  - (b) 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 considers appropriate to attach to the **PAN**.

1.3.8 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.

1.3.9 G In terms of **PS 1.3.8G(1)**, a core element of the definition of a *Pisces* is that **Pisces trading events** for a particular **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*.

- 1.3.10 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* or a description of a *person*, including with such modifications as the *FCA* may specify.

[**Note:** regulation 14(8) of the *Pisces sandbox regulations*]

- (2) A waiver or modification may be given subject to conditions.
  - (3) The *FCA* may revoke or vary 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 any direction creating a waiver or modification under regulation 14(8) of the *Pisces sandbox regulations*.

[**Note:** regulation 16(3)(b) of the *Pisces sandbox regulations*]

## 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 16 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 11 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 the *FCA* considers:

- (1) a *Pisces operator* has operated otherwise than in accordance with any conditions, limitations or restrictions in its **PAN** or any other requirement that applies to it in relation to its *Pisces*; or
- (2) it is appropriate to do so for the purposes of implementing and operating 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, under the *Pisces sandbox regulations*, operating a *Pisces* otherwise than in accordance with conditions, limitations or restrictions in a **PAN** will be a breach of a requirement imposed by the *FCA* under the regulations, enforceable by virtue of the modifications to the *FCA*'s disciplinary powers set out in Part 1 of Schedule 1 to the *Pisces sandbox regulations*.

## 1.7 Termination of the sandbox

- 1.7.1 G The *Pisces sandbox regulations* will cease to have effect on 5 June 2030.

## 1.8 Interpretation of the Pisces sourcebook

- 1.8.1 G As **PS** is part of the *FCA Handbook*, *GEN* applies to **PS**.
- 1.8.2 G As **PS** is part of the *FCA Handbook*, 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 disapplied, that disapplication 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*.

## 1.10 Disapplication of private rights of action

- 1.10.1 R A contravention of the *rules* in **PS** 1, **PS** 2, **PS** 3 or **PS** 4 does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of the *rules* in **PS** 1, **PS** 2, **PS** 3 or **PS** 4 is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).
- 1.10.2 G **PS** 6.12.4R(1) has the effect that a contravention of a *rule* in *MAR* 5 that is applied with respect to a *Pisces* (by virtue of **PS** 6) does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each such *rule* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

## 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 2.2.12R** and **PS 2.2.13G** apply to applicants under regulation 9 of the *Pisces sandbox regulations*.
- 2.1.3 R **PS 2.7** applies to **Pisces core disclosure information** and **Pisces disclosure corrections**.

#### 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 what is a ‘core disclosure’ for the purposes of Part 2 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 14(4)(b) of the *Pisces sandbox regulations*. This regulation provides that *rules* the *FCA* can make under regulation 14(1) may (among other things) make provision as to arrangements for the disclosure of information by *Pisces companies* in connection with the trading of **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 In assessing the appropriateness of its **Pisces disclosure arrangements**, a *Pisces operator* must, in particular, take account of 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*.
- 2.2.4 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

- 2.2.5 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 arrangements required by **PS 2.6** (Dissemination, access to and handling of Pisces regulated information and Pisces information requests); and
- (5) the risk warning that must accompany **Pisces disclosure information** required by **PS 3.7** (Market risk warning).

2.2.6 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 operator rules required by 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 disclosures required by virtue of this chapter; and
- (3) the requirement to reduce the extent to which the **Pisces disclosure arrangements** are used for the purpose 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*. *Financial crime* includes, in particular, conduct that would be an offence under section 89 (Misleading statements) of the Financial Services Act 2012.

#### Arrangements for disclosure of additional information

- 2.2.7 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* will need to take into account the matters set out in **PS 2.2.3R**.
- (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 **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 Pisces shares*.

2.2.8 G Where a *Pisces operator* includes arrangements described in **PS 2.2.7G(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) whether and how such arrangements would mitigate the risk of excessive or unreasonable information requests, placing a disproportionate burden on *Pisces companies*;
- (2) whether and how such arrangements would require *Pisces companies* to respond to requests for further 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** (Timing of disclosures) and **PS 2.5** (Corrections to Pisces disclosure information).

- 2.2.9 G **Pisces information requests** are, where stated, subject to *rules* set out in **PS 2.6** (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

- 2.2.10 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.
- 2.2.11 G (1) As a result of **PS 2.2.10R**, 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 2.2.10R** 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 functioning of a *Pisces*.

Description and consideration of proposed Pisces disclosure arrangements

- 2.2.12 R (1) An applicant under regulation 9 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 and any arrangements for legitimate omissions in accordance with **PS 2.3.4R(1)**, are consistent with the requirements applicable to the *Pisces operator* under **PS 2**, including in particular **PS 2.2.2R** and **PS 2.2.3R**.

- (2) The risk assessment and explanation must take into account the *guidance* in this chapter.

- 2.2.13 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 10 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 current patents, licences, industrial, commercial or financial contracts and 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) whether the financial statements referred to in (a) have been audited and, if so, the auditors’ reports;
  - (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**; and
  - (d) where a *Pisces company* includes management accounts in accordance with (c), a statement identifying that they are management accounts and are not subject to the standards applicable to financial statements;
- (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 of the *Pisces company* 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) information about any *employees' share scheme*, which must include:
  - (a) a description of any rights to acquire *shares* in the *Pisces company* granted to *directors* of the *Pisces company* pursuant to an *employees' share scheme* (including a description of the relevant shares and the aggregate number and value of those shares);

- (b) any commitments of the *Pisces company* to issue in the future new *shares* to satisfy awards granted pursuant to an *employees' share scheme*;
  - (c) any commitments of the *Pisces company* to support an *employees' share scheme* by funding a trust established for the benefit of employees and/or other members of the workforce (which may include former employees and/or members of the workforce and their dependents);
- (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* in advance of the **Pisces trading event** in **Pisces shares** that relate to that trading event, including whether the intention is to buy or sell *Pisces shares*, likely volume and optionally the reason for the trade;
  - (c) a statement that the information about trading intentions described in (b) may not be updated if those intentions change after the beginning of the **Pisces trading event**; and
  - (d) 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) an overview of any existing contracts or agreements, other than those entered into in the ordinary course of business, if material to the business or profitability of the *Pisces company*;
- (9) information about any *share* capital issued by the *Pisces company* within the previous 3 years, which must include the date, class of *share*, issue price and amount raised;
- (10) 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;

- (11) information about any significant change in the financial position of the *Pisces company* since the balance sheet date of the *Pisces company's* latest published financial or interim statements;
- (12) details of the following (or, if there are no *persons* to whom (a) to (e) apply, a statement to confirm that):
  - (a) any *person* who holds (directly or indirectly) above 25% of *shares* or voting rights in the *Pisces company* (without prejudice to the *Pisces operator's* ability to require disclosure of further information by setting a threshold below 25%);
  - (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*;
  - (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; and
  - (e) where a *Pisces company* is aware of a *person* to whom (a), (b), (c) or (d) applies, but after taking reasonable steps, a *Pisces company* is unable to provide the required details because it cannot identify them, a statement confirming that it has been unable to identify any such person and explaining why that is the case,

where for the purposes of this paragraph (12) 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;

- (13) 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/or 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 **Pisces shares** and the price parameters were prepared by the *Pisces company* or by an independent third party;
- (e) if the *Pisces company* prepared the *share* valuation or price parameters, whether it did so with the agreement of another *person*; and
- (f) the identity of any such *person* or independent third party;
- (14) whether any commitments have been made to hold future **Pisces trading events** and, if so, indications of when or how often those will be;
- (15) the last traded price of a **Pisces share** and the volume of **Pisces shares** traded at the previous **Pisces trading event**, if any;
- (16) information about any 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, which occurred within 12 *months* prior to the beginning of the **Pisces trading event** and are material to the financial performance of the *Pisces company* or the rights attached to **Pisces shares** of the *Pisces company*; and
- (17) contact details of a *person* at the *Pisces company* who can be contacted in relation to the **Pisces core disclosure information** and any additional information disclosed under the **Pisces disclosure arrangements**.

- 2.3.3 G In relation to **PS 2.3.2R(8)**, the assessment of whether a transaction is in the ordinary course of business will depend on the specific circumstances of the *Pisces company* – in particular, the nature of its existing business and strategy and the size and type of contracts or agreements commonly entered into to support and maintain its business, and the importance of the contract to its business. Contracts in the ordinary course of business are likely to include contracts or agreements to support and maintain the *company's* existing business and its infrastructure.

#### Legitimate omissions of Pisces core disclosure information

- 2.3.4 R (1) Subject to (2), the rules of the *Pisces operator* may allow *Pisces companies* not to disclose a particular item of **Pisces core disclosure information** or a particular item of additional information the *Pisces company* is required to disclose under the **Pisces disclosure arrangements** (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 2.3.5R** if the *Pisces company* instead provides:

- (a) a statement specifying the information that has been omitted from the *Pisces core disclosure information* in **PS 2.3.2R** or from any required additional information; 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(12)**.

2.3.5 R The circumstances referred to in **PS 2.3.4R(1)** are 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.

2.3.6 R The rules of the *Pisces operator* may only permit the omission of information under **PS 2.3.4R** on an exceptional basis.

#### Omissions to avoid violence or intimidation

- 2.3.7 R The rules of the *Pisces operator* must provide that a *Pisces company* may not disclose information referred to in **PS 2.3.2R(12)** if the *Pisces company* reasonably believes that if an individual's details are disclosed:
- (1) the activities of the *Pisces company*; or
  - (2) one or more characteristics or personal attributes of that person when associated with that *Pisces company*,
- will put that person at serious risk of being subjected to violence or intimidation.

#### Negative statements

- 2.3.8 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.
- 2.3.9 G Examples of where a negative statement would be appropriate include:

- (1) the *Pisces company* does not intend to hold any further **Pisces trading events**;
- (2) no related party transactions have occurred within 12 *months* prior to the beginning of the **Pisces trading event** that are material to the financial performance of the *Pisces company* or the rights attached to **Pisces shares** of the *Pisces company*; or
- (3) the *Pisces company* does not intend to apply price parameters in relation to the relevant **Pisces trading event**.

Re-using previously disclosed information

2.3.10 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**.

Reliance by a *Pisces company* on its PSC register

2.3.11 R As an alternative to requiring disclosure of the information set out in **PS 2.3.2R(12)(a)–(d)**, a *Pisces operator's* rules may require disclosure of a **PSC register** where applicable.

2.3.12 G Disclosure of a **PSC register** will not be applicable in relation to a *Pisces company* that is not required to maintain such a register (for example, because it is a *company* incorporated outside the *UK*). In such cases, the *FCA* would expect the rules of a *Pisces operator* to permit disclosure of the information set out in **PS 2.3.2R(12)(a)–(d)** by any appropriate means.

## 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 if, prior to the end of the trading event, a *Pisces company* becomes aware of material new developments or material mistakes or inaccuracies in the **Pisces disclosure information** already disclosed or communicated through **Pisces disclosure arrangements**, the *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 the **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.
- 2.5.3 G Rules made by a *Pisces operator* under PS 2.5.1R need not require a *Pisces company* to update information within PS 2.3.2(7)(b) as a result of any change in the trading intentions of a *director* after a **Pisces trading event** begins.

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

### Access to historic Pisces regulated information

- 2.6.1 R (1) **Pisces disclosure arrangements** must ensure that any **Pisces regulated information** disclosed in respect of a **Pisces trading event** (trading event A) is made available to *persons* entitled to access any subsequent **Pisces trading event** where the subsequent **Pisces trading event**:
- (a) is for the trading of *shares* in the same *Pisces company* as trading event A; and
  - (b) occurs within 5 years of the closing of the trading event A.
- (2) Paragraph (1) does not apply with respect to a **Pisces trading event** that was subject to any restrictions of the kind described in PS 3.2.1R.

## Dissemination and availability of information

- 2.6.2 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 2.2.7G(4)(c) are used, enable *persons* with access to a **Pisces trading event** to submit **Pisces information requests** to the relevant *Pisces company*; and
  - (3) notify *persons* entitled to access the **Pisces trading event** as soon as possible of any information disseminated through the arrangements.

## Equal access to information

- 2.6.3 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

- 2.6.4 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.
- 2.6.5 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**.
- 2.6.6 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.
- 2.6.7 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



- 2.6.8 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**.
- 2.6.9 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

- 2.6.10 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**.
- 2.6.11 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 2.6.10R**.
- 2.6.12 R **Pisces disclosure arrangements** must ensure the *Pisces operator* can access the records easily for the duration of the 5-year period.

Receiving Pisces regulated information: validation of submissions

- 2.6.13 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

2.6.14 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

2.6.15 G Where a *Pisces operator* outsources the operation of the arrangements for dissemination, access to and handling of **Pisces regulated information**, it will need to comply 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*.

### 2.7 Provision relating to regulation 13 (Liability for disclosed information) of and Schedule 2 (Compensation: exemptions) to the *Pisces sandbox regulations*

2.7.1 R A statement containing the following is a ‘core disclosure’ for the purposes of Part 2 of Schedule 2 to the *Pisces sandbox regulations*:

- (1) **Pisces core disclosure information**; and
- (2) **Pisces disclosure corrections** to that **Pisces core disclosure information**.

2.7.2 R A *Pisces operator* must have rules that require a *Pisces company* to clearly identify in its disclosures any information that is within **PS 2.3.2R**, by including a statement that such information is **Pisces core disclosure information**.

2.7.3 G No category of statement contained in a ‘core disclosure’, as defined in Part 1 of Schedule 2 to the *Pisces sandbox regulations*, is specified as a forward-looking statement for the purposes of Part 3 of Schedule 2 to those regulations. **PS 2.7.2R** therefore provides that a *Pisces operator’s* disclosure rules must require a *Pisces company* to identify information that is **Pisces core disclosure information**. This is to ensure investors can understand the applicable liability standard for disclosed information. There is, however, no separate requirement to identify forward-looking statements within the **Pisces core disclosure information** for the purposes of the *Pisces sandbox regulations*.

## 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 and PS 3.9).

3.1.3 G In relation to trade transparency, the purpose of this chapter 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 (as defined in regulation 6 of the *Pisces sandbox regulations*) 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 G The effect of PS 3.2.2R(3) is that rules of a *Pisces operator* should not allow a *Pisces company* to restrict a member or participant from accessing a **Pisces trading event** in the *company's shares* where that would be inconsistent with the *Pisces operator's* obligation to have published, transparent and non-discriminatory rules, based on objective criteria. In view of the above, a *Pisces operator* should consider whether its rules:

- (1) provide for a clear process by which a *Pisces company* may enter into arrangements to restrict a participant or member of a *Pisces* from participating in a **Pisces trading event**; and
- (2) permit only non-discriminatory restrictions where objective criteria justify any difference in treatment between members or participants. Objective criteria may, for example, include the legitimate commercial interests of a *Pisces company*.

3.2.4 G If a participant or member of a *Pisces* is also an investor wishing to participate in a **Pisces trading event** in order to buy or sell *shares* in a *Pisces company*:

- (1) it would be incompatible with PS 3.2.2R for the rules of a *Pisces operator* to allow a *Pisces company* to restrict that participant or member, in its capacity as an investor, from buying or selling *shares* other than for the reasons mentioned in PS 3.2.2 R(1) or (2) (which apply respectively to investors intending to buy or to sell *shares*); but
- (2) the *FCA* would still expect the rules of a *Pisces operator* to provide for a clear process by which a *Pisces company* may enter into arrangements to restrict such a participant or member, in its capacity as an investor, from participating in a trading event.

3.2.5 R A *Pisces operator* must ensure that where a *Pisces company* places restrictions on access to a **Pisces trading event**, the arrangements that give effect to those restrictions ensure that any **Pisces investor** (as defined in regulation 5(3) of the *Pisces sandbox regulations*), participant or member of the *Pisces* concerned 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.

3.2.6 G It would be compatible with PS 3.2.5R for such arrangements to provide that the nature of any such restrictions need only be disclosed to a *person* where they

have presented reasonable grounds to evidence that they are a **Pisces investor** (as defined in regulation 5(3) of the *Pisces sandbox regulations*).

### 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.

3.5.2 G A *Pisces operator* should consider the interests of investors and the orderly functioning of the *Pisces* concerned, in deciding whether to:

- (1) postpone or suspend trading under its rules made in accordance with **PS 3.5.1R(1)**; or
- (2) terminate a trading event under its rules made in accordance with **PS 3.5.1R(2)**.

### 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*), which must be prominently displayed:

[*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 platforms also operate within a temporary sandbox that is due to expire in 2030, rather than a permanent regulatory regime. This means that there may be risks of trading on PISCES that we have not anticipated. It will be for the government to decide whether to make the PISCES regime permanent. You will not be able to sell your shares via this platform if the PISCES regime comes to an end.

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 not identified as core disclosure information would be subject to a higher liability threshold. Seek advice as appropriate.

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

As a result, other investors may possess information relevant to an assessment of the price of 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 (Pre and post-trade transparency)):
  - (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 9 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* for *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 **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 trading 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 trading 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 14(4)(c) of the *Pisces sandbox regulations*, which provides that the *rules* the *FCA* can make under regulation 14(1) may (among other things) make provision concerning the detection and prevention of abusive, manipulative or deceptive 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 5 of Schedule 1 to the *Pisces sandbox regulations* modifies the application of *MiFIR* so that a *Pisces* subject to approval under regulation 10 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, a **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 a **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 **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 paragraph 4(1) and (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) or 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 9 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 10 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 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 Without prejudice to the use of other relevant powers, the *FCA* may direct a *Pisces operator* to provide further information, where relevant, under regulation 16(2)(a) of the *Pisces sandbox regulations* and will consider whether any action is appropriate under regulations 11(1)(b) or 16(2)(b) 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 4.5.4R** 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 section 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 section 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 section 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 section 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 trading 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) or 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* 3.21 (regarding the reporting of criminal offences); and
  - (3) *REC* 3.25 (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 **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 trading practices

- 4.10.1 G Where a *Pisces operator* becomes aware of manipulative trading practices, or attempts at manipulative trading 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 trading practices

- 4.11.1 G Members of a *Pisces* and *firms* carrying on activities in respect of **Pisces shares** also play a key role in protecting against manipulative trading 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 section 89 (Misleading statements) or section 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 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* which relates to a **Pisces share** where that *financial promotion* 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 a **Pisces share** to a *retail client* inside the *United Kingdom*;
- (2) in connection with trading on a *Pisces*; and
- (3) where the *retail client* is an individual.

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* by that *retail client* 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) 'distribute' means offering, *selling*, *arranging* or *dealing* in a **Pisces share**;
- (2) 'qualifying individual' has the meaning set out in regulation 6 of the *Pisces sandbox regulations*.

#### 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 **Pisces shares**. The *rules* in this chapter apply in place of those provisions to regulate the promotion and distribution of **Pisces shares**.
- 5.2.2 G The *rules* in this chapter:
- (1) require that any *financial promotion* (other than an *excluded communication*) to *retail clients* relating to a **Pisces share** includes a prescribed form of risk warning;
  - (2) impose requirements in relation to the distribution of a **Pisces share** to *retail clients*;
  - (3) require that:
    - (a) a *financial promotion* (other than an *excluded communication*) which relates to a **Pisces share** does not offer to any *retail client* any form of incentive; and
    - (b) a *firm* distributing a **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 a **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 a **Pisces share** and which offers to a *retail client* any monetary or non-monetary incentive.
- (2) When distributing a **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 a **Pisces share**;
- (2) offering bonuses where the *retail client* refers another *person*;
- (3) offering cashback when investing in a **Pisces share**;
- (4) offering discounts or rebates on fees paid that are linked to volumes of trades made in **Pisces shares**;
- (5) offering free gifts once an investment in a **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 a **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 a **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 a **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 a **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 1.1R** 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 1.1R** 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 Pisces shares

- 5.5.1 R This section applies to a *firm* distributing a **Pisces share** in accordance with **PS 5.1.1R**.
- 5.5.2 R (1) Subject to (2) and (3), a *firm* must not:

- (a) distribute a **Pisces share** to a *retail client* unless the conditions in **PS 5.5.4R** (personalised risk warning) and **PS 5.5.5R** (categorisation) have been satisfied; and
  - (b) allow a *retail client* to place an order to buy that **Pisces share** until the conditions in **PS 5.5.13R** (appropriateness) and **PS 5.5.25R** (cooling off period) have been satisfied.
- (2) The condition in **PS 5.5.25R** (cooling off period) need not be satisfied if the *retail client* has previously purchased a **Pisces share** through the same *firm* as would otherwise need to satisfy it.
- (3) The conditions in this section do not apply in relation to a *retail client* if:
- (a) the *firm* is satisfied on reasonable grounds that each of those conditions has been satisfied by another *firm* in relation to the distribution of the relevant **Pisces share** to that *retail client*; or
  - (b) before the *retail client* is allowed to place an order:
    - (i) the *firm* will comply with the suitability rules (*COBS 9* and *COBS 9A*) in relation to an investment by the *retail client* in the relevant **Pisces share**; or
    - (ii) the *retail client* confirms that they are a *retail client* of another *firm* that has complied with the suitability rules (*COBS 9* and *COBS 9A*) in relation to the proposed investment by the *retail client* in the relevant **Pisces share**.

5.5.3 G The broad effect of the provisions in this section is that:

- (1) (a) before a *firm* engages with a *retail client* who is an individual in relation to a potential investment in a particular **Pisces share**, the *firm* must:
  - (i) communicate a personalised risk warning to that *retail client*; and
  - (ii) following confirmation from the *retail client* that they wish to continue, establish the categorisation of the *retail client*; and
- (b) before a *firm* allows the *retail client* to place an order to buy a **Pisces share**, the *firm* must:
  - (i) establish the appropriateness of the investment to the *retail client*; and

- (ii) have allowed a period of 24 hours to elapse following the *firm's* assessment that the **Pisces share** is appropriate;
- (2) a cooling off period is only required on the first occasion that a *retail client* purchases a **Pisces share** of any description through a particular *firm*; and
- (3) a **Pisces share** can only be distributed to a qualifying individual who does not fall within any other eligible group in PS 5.5.8G(2) to (4) if they have a current statement (completed and signed within the period of 12 *months* ending with the day on which the relevant 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 a **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 1.1R 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 1.1R** 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 5.5.13R** (appropriateness).
- (6) The personalised risk warning required by (2) 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 a **Pisces share**, the *firm* must establish on reasonable grounds:
- (a) that the *retail client* is eligible to invest in the **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 ‘Qualifying individual – restricted investor’ in accordance with **PS 5.5.10R**.
- (2) A *retail client* is eligible to invest in a **Pisces share** if they are a type of investor in regulation 5(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 **Pisces share** before the *firm* distributes that *share* to that individual.
- (2) In addition, a **financial intermediary** must not generally place an order to buy a **Pisces share** unless:
- (a) the client is a qualifying individual; or

- (b) the **financial intermediary** believes on reasonable grounds that the client will fall within one or more of the other categories of **Pisces investor** in regulation 5(3) of the *Pisces sandbox regulations* immediately before the order is to be executed.

[**Note:** regulation 7(1) of the *Pisces sandbox regulations*]

- 5.5.7 G In appropriate 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 eligibility as required by regulation 7(1) of the *Pisces sandbox regulations*.
- 5.5.8 G The following types of individual investor (other than *professional clients*) are eligible to invest in **Pisces shares**:
- (1) a qualifying individual;
  - (2) a ‘Pisces high-net-worth individual’, as described in regulation 5(3)(b) of the *Pisces sandbox regulations*;
  - (3) a ‘Pisces sophisticated investor’, as described in regulation 5(3)(d) of the *Pisces sandbox regulations*; and
  - (4) a ‘Pisces self-certified sophisticated investor’, as described in regulation 5(3)(e) of the *Pisces sandbox regulations*.

[**Note:** regulation 5(3) of the *Pisces sandbox regulations*]

Qualifying individuals

- 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 5(3)(f) of the *Pisces sandbox regulations*]

- 5.5.10 R A ‘Qualifying individual – restricted investor’ is a qualifying individual:
- (1) who has completed and signed, within the period of 12 *months* ending with the day on which the relevant order to buy a **Pisces share** is likely to be executed, the statement in **PS 5 Annex 2.1R** (the ‘Qualifying individual – restricted investor statement’); and
  - (2) whose completion of that statement indicates that they meet the criteria in that statement to be a Qualifying individual – restricted investor.
- 5.5.11 G Where the Qualifying individual – restricted investor statement (**PS 5 Annex 2.1R**) 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 Qualifying individual – restricted investor statement).

Third condition: appropriateness

- 5.5.12 G The third condition requires a *firm* to determine that a particular **Pisces share** is appropriate for a *retail client* before the *firm* allows that *retail client* to place an order in relation to that **Pisces share**. 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 a **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.
- 5.5.13 R The condition is that before allowing a *retail client* to place an order to buy a **Pisces share** the *firm* must assess that the particular **Pisces share** is appropriate for the *retail client* in compliance with the *rules* in this section (as applicable).
- 5.5.14 R In the course of providing information regarding their knowledge and experience for the purpose of the appropriateness assessment required by PS 5.5.13R, the *retail client* must not be provided with assistance, information, guidance or feedback which might affect the substance of the information that they provide.
- 5.5.15 R (1) This *rule* applies if:
- (a) a **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 **Pisces share** being assessed as not appropriate for them.
- (3) Any further assessment of the appropriateness of that **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 **Pisces share** for that *retail client*.
- 5.5.16 R (1) This *rule* applies where a first and second assessment have both determined that a **Pisces share** is not appropriate for a particular *retail client*.
- (2) Following the second, and each and every subsequent, determination that a **Pisces share** is not appropriate for a *retail client*, any further

assessment of the appropriateness of that **Pisces share** for that *retail client* must not be undertaken for at least 24 hours.

- 5.5.17 G The effect of **PS 5.5.13R** to **PS 5.5.16R** (and **PS 5.5.2R(3)(b)**) is that a *firm* may only allow a *retail client* to place an order for a **Pisces share** where that **Pisces share** has been assessed as being appropriate for that *retail client* (or has been subject to a suitability assessment, in compliance with the suitability rules (*COBS 9* and *COBS 9A*)).
- 5.5.18 G When gathering information regarding a *retail client's* knowledge and experience for the purpose of assessing whether a **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 **Pisces share**.
- 5.5.19 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 5.5.15R(2)** does not prevent a *retail client* from being informed of the broad reasons for which a **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 a **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 5.5.15R(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 a **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 5.5.16R(2)**).

- (5) A *retail client* may be informed of the option to reapply to participate in a **Pisces trading event** following a determination that the **Pisces share** is not appropriate for them. However, the *retail client* should not be encouraged to do so.

Assessing appropriateness: the obligations

- 5.5.20 R (1) Before allowing a *retail client* to place an order to buy a **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 **Pisces share** is appropriate for them.
- (2) In 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 **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 investment in the **Pisces share** is not appropriate for the *retail client*; or
  - (b) that it is not in a position to determine whether a **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.
- 5.5.21 R The information regarding a *retail client's* knowledge and experience (PS 5.5.20R(1)), must include information on:
- (1) the types 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*.
- 5.5.22 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.

5.5.23 G If, before assessing appropriateness, a *firm* seeks to increase the *retail client's* level of understanding of unlisted securities and trading on *Pisces* 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.

5.5.24 G When determining whether a *retail client* has the necessary knowledge to understand the risks involved in relation to a **Pisces share**, a *firm* should consider asking the *retail client* questions that cover, at least, the matters in PS 5 Annex 3.1G.

Fourth condition: cooling off period

5.5.25 R The fourth condition is that, following an assessment that a **Pisces share** is appropriate for the *retail client* (PS 5.5.13R), 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 to buy the **Pisces share**.

## 5.6 Requirements of risk warnings and risk summaries

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 *financial promotion* 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 **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 chapter 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 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 personalised risk warning or risk summary;



- (4) placing the personalised risk warning or risk summary at the bottom of the communication 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 personalised 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 communication; and
- (7) using a font or background in the personalised 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 1.1R**; or
  - (2) provide a version of the risk summary in **PS 5 Annex 1.1R** 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 1.1R** would be misleading in relation to the particular **Pisces share**;
  - (2) the relevant part of the risk summary in **PS 5 Annex 1.1R** would be irrelevant in relation to the particular **Pisces share**;

- (3) the risk summary in **PS 5 Annex 1.1R** does not include a risk that is relevant to the particular **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 a **Pisces share** and to which the conditions in **PS 5.5** apply.
  - (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 5.5.13R**):
      - (i) the total number of assessments undertaken;
      - (ii) the number of assessments resulting in a determination that the investment in the **Pisces share** was appropriate;
      - (iii) the number of assessments resulting in a determination that the investment in the **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 at least 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 at least 5 years.

## 5 Annex 1 Risk summary for Pisces shares

- 5 Annex 1.1 R This Annex belongs to PS 5.4.4R and PS 5.5.4R.

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>]

## **5 Annex 2 Restricted investor statement for qualifying individuals**

5 Annex 2.1 R This Annex belongs to **PS 5.5.10R**.

## QUALIFYING INDIVIDUAL - 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:** PIs 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). This includes unlisted shares acquired through an employee share scheme.

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:
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## 5 Assessing appropriateness: Pisces shares

### Annex

#### 3

5 G This Annex belongs to PS 5.5.24G.

### Annex

#### 3.1

When determining whether a *retail client* has the necessary knowledge to understand the risks involved in relation to a **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 **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 been modified by this sourcebook; 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 or the *Pisces sandbox regulations*. 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 **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*.
- 6.3.3 G The *Pisces sandbox regulations* modify certain statutory provisions (specified in Schedule 1 to the regulations), and provide that other provisions in relevant enactments that refer to provisions so modified are to be treated as modified accordingly. The effect is that if an existing *rule* refers to a statutory provision that has been modified by the *Pisces sandbox regulations*, that *rule* is read as referring to the statutory provision as modified.

#### 6.4 Modified application of rules: general points

- 6.4.1 G Regulation 14 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 6.17** 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. The amendments are set out in the annexes to the Private Intermittent Securities and Capital Exchange System (*Pisces*) (Consequential Amendments) Instrument 2025 (FCA 2025/21).

#### 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 likely 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 *rules* or *guidance* set out at **PS 6.7 to PS 6.17** apply, insofar as relevant, to *persons* described in regulation 14(2) of the *Pisces sandbox regulations*.

6.6.2 R References below to ‘with respect to a *Pisces*’ include with respect to a *Pisces operator* and with respect to **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 applies 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 under *PRIN* 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*, **PS 6.8.1R** makes no difference.

## 6.9 Application of FEES

6.9.1 G *FEES* provision relevant to the *Pisces sandbox arrangements* is set out in *FEES* 3 Annex 1R (Part 2).

## 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 applies 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. Applying *MIFIDPRU* with respect to a *Pisces* as it applies with respect to an *MTF* also means that *MIFIDPRU* applies to *UK parent entities* and *parent undertakings* of *Pisces operators* irrespective of whether it would, but for this modification, have applied to them otherwise, to the extent it applies to *UK parent entities* and *parent undertakings* of *firms* operating an *MTF*.

## 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 promotion and distribution of **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 applies 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 *COBS 1 Annex 1 2.1R* and *3.1R*(, 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 Sch 5* is to apply *MAR 5* (which implemented certain provisions of *MiFID* relating to *firms* operating *MTFs*) and *MAR Sch 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(3) of the *Pisces sandbox regulations*, is a form of *multilateral system*, without that conflicting with the requirement in *MAR 5AA* (as unmodified) 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 (1) were deleted;
- (8) *MAR 5.3A.11R*(1);
- (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 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) or section 90 (Misleading impressions) of the Financial Services Act 2012’;
- (12) *MAR 5.6.2R*;

(13) *MAR 5.6.3R*; and

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

- 6.12.5 G *MAR Sch 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 5</i> (all <i>rules</i> applied as modified in <b>PS 6</b> )			Yes	Yes	No

- 6.12.6 G With reference to *MAR 5.3.1R(1)*, if a *Pisces operator* enables **Pisces trading events** that involve a time-limited period of continuous trading, its rules and procedures must include appropriate volatility controls for fair and orderly trading.

- 6.12.7 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**.

- 6.12.8 G With reference to *MAR 5.6.1R*, note Article 81 of the *MiFID Org Regulation*.

- 6.12.9 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 applies 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 carried on 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 *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 *COLL* provision relevant to the *Pisces sandbox arrangements* is set out in *COLL* 5.2.8R, *COLL* 5.2.8AG, *COLL* 5.6.5R, *COLL* 5.6.5AR and *COLL* 5.6.5BG.

## 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) or 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(3) 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 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* 2.7, a new *REC* 2.7.3BG were inserted as follows:

2.7.3B	G	In assessing whether the rules of a <i>UK RIE</i> governing access to, or membership of, a <i>Pisces</i> are transparent, non-discriminatory and based on objective criteria, the <i>FCA</i> may have regard to the considerations set out in <b>PS 3.2.3G</b> .
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- (3) in *REC* 2.10.3G, delete ‘*market abuse* or’ and ‘*market abuse* and’ wherever they appear;
- (4) in *REC* 2.12, a new *REC* 2.12.15G were inserted as follows:

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

## 6.17 Application of DEPP

- 6.17.1 G *DEPP* provision relevant to the *Pisces sandbox arrangements* is set out in *DEPP 2 Annex 1*, *DEPP Schedule 3.2G* and *DEPP Schedule 4.1G*.

## App 1 Definitions

- App 1.1 R The following definitions are used in this sourcebook.

[*Editor’s note*: for the convenience of the reader, the following table includes definitions that are added to the Glossary of definitions via the Private Intermittent Securities and Capital Exchange System (*Pisces*) (Consequential Amendments) Instrument 2025 (FCA 2025/21).]

<b>financial intermediary</b>	(in accordance with regulation 5(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> .
<b>PAN</b>	<b>Pisces approval notice.</b>	
<i>Pisces</i>	has the meaning in regulation 3(3) of the <i>Pisces sandbox regulations</i> .	
<b>Pisces approval notice</b>	a notice issued under regulation 10(3) of the <i>Pisces sandbox regulations</i> approving a <i>person</i> described in regulation 4 to operate a <i>Pisces</i> .	
<i>Pisces company</i>	(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 on a <i>Pisces</i> .	
<b>Pisces company senior management</b>	<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> .	
<b>Pisces core disclosure information</b>	the information set out at <b>PS 2.3.2R</b> .	

<b>Pisces disclosure arrangements</b>	the arrangements put in place and overseen by the <i>Pisces operator</i> relating to the disclosure and communication of information required by <b>PS 2.2.1R</b> and <b>PS 2.2.2R</b> .
<b>Pisces disclosure corrections</b>	updates, corrections and information required by <b>PS 2.5.1R</b> .
<b>Pisces disclosure information</b>	the <b>Pisces core disclosure information</b> and any additional information communicated by or on behalf of the <i>Pisces company</i> through the <b>Pisces disclosure arrangements</b> .
<b>Pisces information requests</b>	requests for information made by a <i>person</i> entitled to access a <b>Pisces trading event</b> for the purposes of assisting them in making an investment decision in the <i>Pisces company's Pisces shares</i> and which are made in accordance with the relevant <b>Pisces disclosure arrangements</b> .
<b>Pisces investor</b>	a <i>person</i> who intends to trade a <b>Pisces share</b> .
<i>Pisces operator</i>	(in accordance with regulation 2 of the <i>Pisces sandbox regulations</i> ) a <i>person</i> in respect of whom an approval under regulation 10 of the <i>Pisces sandbox regulations</i> is in force.
<b>Pisces regulated information</b>	the <b>Pisces disclosure information</b> and the <b>Pisces disclosure corrections</b> .
<i>Pisces sandbox arrangements</i>	the FMI sandbox arrangements provided for under the <i>Pisces sandbox regulations</i> .
<i>Pisces sandbox regulations</i>	the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System) Regulations 2025 (SI 2025/583).
<b>Pisces share</b>	(in accordance with regulation 2 of the <i>Pisces sandbox regulations</i> ) a <i>share</i> in a <i>Pisces company</i> that is traded or is to be traded on a <i>Pisces</i> .
<b>Pisces trading event</b>	a time-limited event during which trading in a <i>Pisces share</i> can take place on a <i>Pisces</i> .
<b>Pisces transparency data</b>	the data to be provided in accordance with <b>PS 3.8</b> .
<b>PS</b>	the Pisces sourcebook.



<b>PSC register</b>	the register of people with significant control over a company that must be maintained under section 790M(1) of the Companies Act 2006 by a <i>Pisces company</i> to which Part 21A of that Act applies.
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## Appendix 2

### **Made rules (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);
  - (2) regulation 6 (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
  - (3) the following sections of the Act as applied by regulation 12 (Sandbox arrangements) of, and Part 1 of Schedule 1 to, the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025 (SI 2025/583):
    - (a) section 210(1) (Statements of policy); and
    - (b) section 395 (The FCA’s and PRA’s procedures).
- 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 10 June 2025.

**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
Decision Procedure and Penalties manual (DEPP)	Annex C
Collective Investment Schemes sourcebook (COLL)	Annex D

## Notes

- E. In the Annexes 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  
9 June 2025

## Annex A

### Amendments to the Glossary of definitions

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

<i>Pisces</i>	has the meaning in regulation 3(3) of the <i>Pisces sandbox regulations</i> .
<i>Pisces company</i>	(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 on a <i>Pisces</i> .
<i>Pisces operator</i>	(in accordance with regulation 2 of the <i>Pisces sandbox regulations</i> ) a <i>person</i> in respect of whom an approval under regulation 10 of the <i>Pisces sandbox regulations</i> is in force.
<i>Pisces sandbox arrangements</i>	the FMI sandbox arrangements provided for under the <i>Pisces sandbox regulations</i> .
<i>Pisces sandbox regulations</i>	the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System) Regulations 2025 (SI 2025/583).

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text.

3            Application, Notification and Vetting Fees

...

3 Annex    Authorisation fees payable  
1R

...

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</i> operators and <i>OTF</i> operators	8
<u>B.</u>	<u><i>Pisces operators</i></u>	<u>6</u>
...		

...

## Annex C

## Amendments to the Decision Procedure and Penalties manual (DEPP)

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

## 2 Statutory notices and the allocation of decision making

...

### 2 Annex 1 Warning notices and decision notices under the Act and certain other enactments

...

The Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023	Description	Handbook reference	Decision maker
...			

<u>The Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025</u>	<u>Description</u>	<u>Handbook reference</u>	<u>Decision maker</u>
Section 207(1) and 208(1) of the <i>Act</i> as applied by Part 1 of Schedule 1 to the Regulations	when the <i>FCA</i> is proposing or deciding to publish a statement or impose a financial penalty in respect of an <i>authorised person</i> or a <i>person</i> participating under regulation 5(1) (under section 205 or 206 of the	The Pisces sourcebook	<i>RDC</i>

	<u>Act as applied by Part 1 of Schedule 1 to the Regulations)*</u>		
--	--	--	--

### Sch 3 Fees and other required payments

...

#### Sch 3.2 G

The <i>FCA</i> 's power to impose financial penalties is contained in:
...
the Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023
<u>the <i>Pisces sandbox regulations</i></u>

### Sch 4 Powers Exercised

#### Sch 4.1 G

The following powers and related provisions in or under the <i>Act</i> have been exercised by the <i>FCA</i> to make the statements of policy in <i>DEPP</i> :
...
Section 210(1) (Statements of policy) (including as applied by regulation 86(6) of the <i>Payment Services Regulations</i> , by article 23(4) of the <i>MCD Order</i> , regulation 43 of the <i>Small and Medium Sized Business (Credit Information) Regulations</i> , by regulation 36(6) of the <i>Payment Accounts Regulations</i> , regulation 40 of the <i>Small and Medium Sized Business (Finance Platforms) Regulations</i> <del>and</del> , by Part 3 of the Schedule to the Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023 <u>and by Part 1 of Schedule 1 to the <i>Pisces sandbox regulations</i></u> )
...
Section 395 (The Authority's procedures) (including as applied by Part 3 of the Schedule to the Financial Services and Markets Act (Digital Securities Sandbox) Regulations 2023, by paragraph 7 of Schedule 5 to the <i>Payment Services Regulations</i> , by article 24(2) of the <i>MCD Order</i> , regulation 44 of the <i>Small and Medium Sized Business (Credit Information) Regulations</i> , by paragraph 4 of Schedule 7 of the <i>Payment Accounts Regulations</i> , regulation 41 of the <i>Small and Medium Sized</i>



<i>Business (Finance Platforms) Regulations and, by paragraph 12(6) of Schedule 1 to the Securitisation Regulations 2024 <u>and by Part 1 of Schedule 1 to the Pisces sandbox regulations</u></i>
---

...
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...

## Annex D

### 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).

[**Note:** article 50(1)(a)-(d) and (h) and (2)(a) of the UCITS Directive and article 3(1) of the UCITS eligible assets Directive]

##### 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.

...

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