

An introduction to PISCES

Cavendish

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Private Intermittent Securities and Capital Exchange System

Key points

- Intermittent trading venue – could be annually, quarterly or ad hoc
- Companies must not already be traded in the UK or elsewhere
- Companies can be private or public companies and do not need to be incorporated in the UK
- Can only be used for secondary trading in existing (not new) shares
- No stamp duty or SDRT payable
- PISCES operators – currently LSE and JP Jenkins
- Less extensive requirements than for public markets – private-plus approach

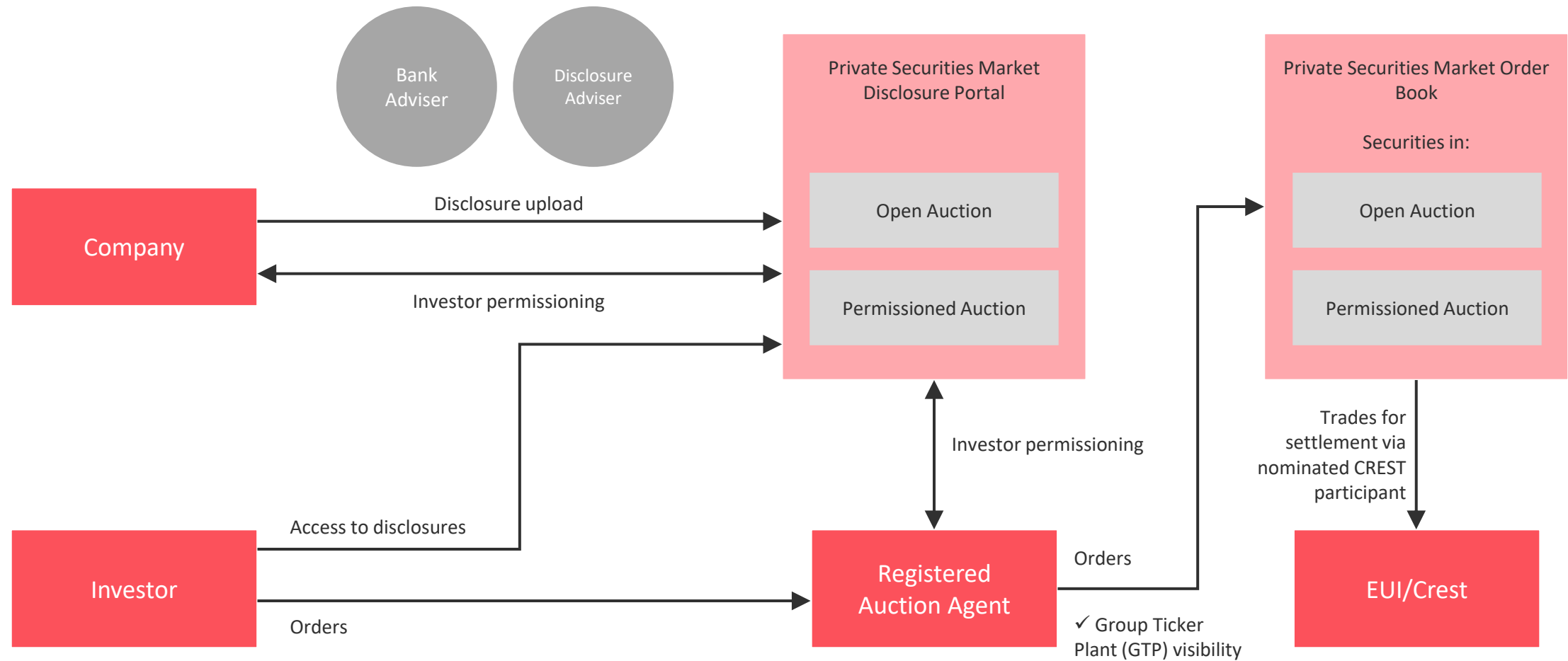
Operational from late 2025;
regulatory sandbox until June
2030

Parties

Investors	Operators	RAAs
<ul style="list-style-type: none"> • Professional investors • Very limited categories of retail investors (high net worth and self-certified sophisticated investors) • Employees of the company or employees of related companies • Employee benefit trusts 	<ul style="list-style-type: none"> • PISCES operators should have certain PART 4A permissions or be a RIE and can then apply to the FCA for approval • Currently only LSE and JP Jenkins • FCA PISCES Rules 	<ul style="list-style-type: none"> • RAAs play an intermediary role so that investors do not have direct contact with companies (see next slide) • Has to be a London Stock Exchange member firm • Possible liability issues?

NB if the RAA is not playing an advisory role there may be a separate corporate adviser

How users of the Private Securities Market interact (@LSEG)



The process (assuming LSE PSM)

- Company applies to join the PSM
- May be pre-marketing (teaser, etc.)
- Investors enter into NDA
- Company uploads its information to the disclosure portal
- Investor requests access to the portal. The company considers the request and if appropriate gives access to the portal to potential investors and information about the trading event (subject to permissioning)
- Company applies to the LSE to start an auction
- Trading events can be open or permissioned (i.e. with restrictions)
- All existing shareholders can sell in a permissioned auction (unless contractually prohibited)
- Investors sign any shareholders agreement
- Order is given to the RAA who places it through the order book
- Order settled through CREST

Disclosure

Also required to include a risk warning in a prescribed form.

Obligation to correct for new material developments, material mistakes and inaccuracies (MAR does not apply).

Omissions from Core Disclosure are permitted in exceptional circumstances.

Voluntary Disclosure permitted and investors can ask the company questions in the portal.



Risks to Bank Advisers / RAAs

- RAA must ensure that investors are a “specified PISCES investor” and that selling shareholders hold the shares to be sold and confirm to the LSE
- Omission of information/what is the risk if information is wrong?
- Mitigations – engagement letter with company, disclaimers in documentation, seek waiver of liability from investors (in NDA?)
- Make clear what role is (RAA and/or Bank Adviser) and try to mitigate risk in engagement terms
- LSE can issue warning notices, fixed penalties and ultimately expel the firm from membership if there is a breach of LSE Rules

Other points for PSM

Preparation	<ul style="list-style-type: none"> • Company may need to change its articles and will need shareholder consent (ordinary resolution) to join the PSM • Will need a RAA and be able to settle through CREST
Eligibility (at least two)	<ul style="list-style-type: none"> • Fundraise of at least £10m in last three years with material participation of experienced investors • Total assets of at least £20m • Annual turnover of £10m
Disclosure	<ul style="list-style-type: none"> • Voluntary disclosure is permitted • Details of the auction schedule must be included on the portal • For permissioned auctions the criteria must be available on the portal
Auctions	<ul style="list-style-type: none"> • Mandatory auction timetable • Company is responsible for deciding if an investor meets the permissioned criteria
Continuing obligations	<ul style="list-style-type: none"> • On-going eligibility requirements • Information requirements re LSE eg regulatory investigations regarding the company or its directors

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