

HM Treasury
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Dear PISCES & Benchmarks Policy team,

Thank you for a very productive call in December.

We now set out below thoughts on each of your specific questions together with draft text where requested. We would be very happy to discuss or clarify any of these points further if that would be helpful.

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private equity (PE) and venture capital (VC) (private capital) industry in the UK. We represent the vast majority of all UK-based private capital firms, as well as their professional advisers and a large base of UK and global investors. In 2023, a total of £59.6bn was raised by UK-managed funds to be invested globally, with £20.1bn having been invested by private capital into UK businesses in sectors across the UK economy. There are over 12,000 UK companies backed by private capital which currently employ over 2.2 million people in the UK. Approximately 58% of the businesses backed are outside of London and 90% of the businesses receiving investment are small and medium-sized enterprises (SMEs).

Private Intermittent Securities and Capital Exchange System (PISCES): feedback on Government Response Document November 2024

In general, the BVCA very much welcomes HM Government's PISCES proposals and considers that they represent an exciting new opportunity for additional liquidity in private company shares. We set out below comments on each of the specific questions on which HM Treasury has requested feedback below:

Defining PISCES & those in scope of the PISCES requirements and modified legislation

1. Does the draft legislation make clear the distinction between PISCES trading and public market trading on a trading venue or MTF? (See Reg 3, and Schedule 1 Part 3)

In our view, the legislation does make this distinction clear.

2. The draft legislation describes who can operate a PISCES platform, and other persons who will be subject to the requirements set out in the legislation and FCA rules (see, Reg 3, Reg 4 and Reg 7). Is it clear when such persons should be caught by the SI and when they wouldn't? Is there anyone who should be able to benefit from these modified requirements who doesn't?

In our view, this is clear in the draft legislation.

Eligibility criteria

3. Do the criteria capture the right eligible investors able to purchase shares on PISCES as described in the consultation response and policy note? (See Reg 4(3); paras 2.5-2.13 of the policy note; and pages 14-17 of the consultation response). To note, Financial Promotion Order definitions of High Net Worth Individual and Sophisticated Investor may be modified under the PISCES Sandbox legislation so it can be used to determine a person's eligibility to buy shares on a PISCES platform.

Yes, we consider that the criteria do work and in particular note that the extension to High-Net-Worth Individuals and sophisticated investors is a welcome development.

4. Related to the above, does our definition of 'qualifying individual' in relation to a PISCES company capture the different types of employees or employee contracts? (See Reg 4(4)).

In general terms, we consider that the definition does capture the different types of employee or employee contract. However, particularly having regard to the nature of many venture-backed companies which may look to use PISCES as an initial source of additional liquidity or existing opportunity for first round investors, we recommend the definition to also capture:

- 1) members of limited liability partnerships or companies which are in the same group as the company (in addition to employees of that group); and
- 2) employees or members of bodies corporate within the same group as an entity which is appointed to manage or provide investment advisory services to an investment vehicle which owns or controls more than 20 per cent of the PISCES company or a parent undertaking of the PISCES company.

These are common structures and arrangements in UK private capital, and whilst these individuals may not fall inside the draft definition of a 'qualifying individual', we suggest they are within the stated policy intention to include employees of participant companies and members of related entities.

Employee Share Schemes

5. Leaving aside tax considerations, does the SI adequately cater for their participation in PISCES?

We consider that the SI does adequately cater for participation by employee share schemes in PISCES.

Eligibility check

6. Does the eligibility check obligation fall/work on the financial intermediary or operator who holds the direct relationship with the end-client? (See Reg 4(6)- (8)).

In our view, the eligibility check process does broadly work.

Overseas investors and companies

7. Do you have views on whether the eligibility check is compatible with overseas investors? Are we clear on the eligibility of overseas companies?

As discussed during the call, we suggest amending the draft SI to clarify that the eligibility check need only be undertaken in respect of UK resident investors, leaving international regulators to monitor their own consumer protection regimes in terms of determining whether or not investors based in their jurisdiction may participate in PISCES.

Liability and disclosure

8. Does the drafting achieve the desired effect, i.e. for core information to be subject to a negligence standard, while other information, including forward-looking information, subject to a recklessness standard? (See Regulation 8 and Schedule 2).

In our view, this drafting works.

Share Transfer Restrictions

9. As mentioned in the consultation paper and policy note, share transfer restrictions affecting an orderly market need only be removed at the time of transfer on PISCES (and can apply as normal outside it). Trading events on PISCES can also be subject to limitations in any event as to who can participate at the company's instigation (this refers to the 'permitted trading event' concept). We do not think this needs to be covered by the PISCES legislation. Do you foresee any issues with this approach?

We consider that this approach should be broadly effective.

Financial Promotions Order

10. Are there any questions with the approach taken towards the application of the Financial Promotion Order as outlined in the consultation paper and policy note or considerations we should take into account?

Generally we are satisfied that the approach taken works.

Should you have any questions or if there are any points it would be helpful to discuss further, please let us know.

Yours sincerely

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