Tuesday, August 12, 2025

HALLGARTEN + COMPANY

Thinkpiece

Christopher Ecclestone
cecclestone@hallgartenco.com

LSE PISCES Initiative:

Stockbroker, Heal Thyself!

August 2025

LSE PISCES Initiative

Stockbroker, Heal Thyself!

+ Investor interest in trading in private companies is on the rise, particularly as stock exchanges make listing more difficult for smaller companies
+ The London Stock Exchange has tried to look modern by launching a market for private companies under the curious acronym of PISCES
+ It seems like the LSE neither cares for, nor wants, small investors nor small companies, and then this….
+ Though it may seem negative to some (most of all the Exchange) there is somewhat of a possibility that a Wild West market could evolve *a la* the dearly departed Vancouver Stock Exchange
+ We can see ways in which the early stages of a mining company´s existence might be fostered in the hothouse of an Unlisted Securities Market
+ The Labour government has been mouthing sympathies and good intentions towards the City and pondering winding back egregious over-regulation, so is this the first (belated) swallow of summer?

X In launching PISCES, the LSE is not reinventing the wheel but intruding into a small but growing space where there are already several players e.g. JP Jenkins et al, that seem to be satisfying the "need", such as it is

X We can´t help holding our breath for the dead hand of LSEG bureaucracy to rear its ugly head (to mix some metaphorical body parts) and start multiplying conditions and forcing the existing players into a straitjacket of the LSEG´s design

X We suspect the ball must fall in the court of Companies House to lift its game on the quality, if not the quantity, of information proffered in filings by PLCs

A Fish Out of Water

When does a nifty acronym fail to serve as a beacon of delivery of UK companies to the Promised Land? When it is a dead fish on the dock…. The London Stock Exchange seems to have a bottomless supply of dead duck ideas (excuse our mixing of metaphors) and PISCES certainly qualifies for that category. There are a handful of private intermediaries, notably J.P. Jenkins, that engage in matching bargains in unlisted securities. Ironically, some of these companies being matched up are ex-AIM-listed stories that have come to grief.

Adding Nuance to the PLC

In the UK there are two types of companies, the limited company and the Public Limited company (PLC). A public limited company (PLC) is a business that is legally allowed to sell its shares to the public. Similar to a private limited company (LTD), the members of a PLC have limited liability, meaning that they are not responsible for the company's debts unless they have given personal guarantees on any business loans. Each individual's liability is limited to the value of the shares they hold.

The features of a public limited company are:

- PLCs can sell shares to the public via a stock exchange
- This type of organisation collects share capital through the sale of shares to members (the shareholders of a company)
- The company must have issued share capital of at least £50,000 and sold 25% of the value of its shares prior to registration
- Like LTDs, members of PLCs have limited liability for the company's debts (they are only responsible for the value of their shares or any personal guarantees made against loans)
- PLCs are viewed as distinct legal entities that are separate from their members
- They must have at least two directors (compared to just one for LTDs)
- PLCs need at least two shareholders to register
- A PLC must have a company secretary with an ICSA qualification

The LSEG´s Vision

As we have written oft before, the London Stock Exchange is an unlikely saviour of corporate entities wanting to tap into "real investor demand for doing real business". It's website now trumpets "…The UK is on the brink of delivering a fundamentally new approach for private companies to access capital markets. This summer, the government will introduce the Private Intermittent Securities and Capital Exchange System (PISCES), a ground-breaking framework for buying and selling private company shares".

It goes on: "In an era when many businesses are staying private for longer, private companies will be able to regularly auction their shares, providing an opportunity for shareholders and employees to trade them. For their part, investors will have the opportunity to invest in high-growth private companies that are not usually available until they are publicly listed". Are they staying private for longer due to the dysfunctionality of the LSE? Asking for a friend….

Limited Lifespan?

A statutory instrument was to be put before the UK Parliament giving the Financial Conduct Authority powers (otherwise known as the "dead hand") to implement and oversee the operation of the PISCES sandbox, that's expected to run for five years. Why the drop-dead date?

The Existing Players

It is now several years since we were first contacted by J.P. Jenkins, which seems to be the leading player in this niche of matching up buyers and sellers of companies that are either ex-listed/delisted or just private companies with a wide enough share base that the owners do not know each other to cobble together transactions themselves. The latter group could be, for example, employees (or ex-employees) of private companies that were part of some employee ownership scheme.

The Jenkins name resonated with us because one of the last (and smallest) jobbers at the time of Big Bang in 1986 was S. Jenkins & Son and this is apparently a continuator of that firm. Other players in the space are: Pilling & Co, GISUK, Ramsay Crookall, Albert E. Sharp, Rathbones, Charles Stanley, AJ Bell and Hargreaves Lansdown. Thus a mix of small and larger players.

Is the PISCES structure the right buttonwood tree (traditional siting of the founding of the NYSE) or Jonathan´s coffee house (founding of the LSE) for this venture or will the LSEG just chop down the tree and close the coffee house for "health reasons"?

Target Audience

The first order candidates for "listing", though one should really say "trade matching", are most probably the fallen idols of the AIM. For several years now, one of the gripes amongst investors has been those companies surrendering to the reality of the bloated costs of maintaining a listing on the AIM and decamping to the netherworld of unlisted status. In this form of purgatory, the retail investors trapped in the unmarketable stock find they have no way to trade the fallen stock or to find buyers and sellers even if the company is still an ongoing business.

One of the ironies of all this is that until the 1990s the ancestor of the AIM (Alternative Investment Market) was the USM (Unlisted Securities Market), which to all intents and purposes was NOT unlisted securities as the name might suggest but companies that had jumped through a lot of listing hoops and published a prospectus and had marketmakers and all the bells & whistles of a full listing.

Investor Outreach

Interestingly, at least if one looks at the LSEG´s promotion on Linkedin, it is so far targeting the investors rather than the companies. The posts link to a form that then asks the "investor" for some details and the name of their stockbroker/member firm of the Exchange.

Of course, it takes two to tango and the approach (at least if Jenkins is any guide) is to first find the companies that need to be traded and then the investors to transact in them. Though probably behind any company that arises on the radar of these trade-matchers there is an originating request from a trapped shareholder wanting an exit. But such is the opacity of this market(s) that one rarely knows whether it is the chicken or the egg that comes first.

Conclusion

There's certainly a huge need for liquidity in private markets, across PE/VC portfolios alongside improved sellside / buyside to capital markets.

The fundamental question is "who needs it"? The old Biblical injunction of Physician, heal thyself!" seems appropriate here. If the LSE's main market was working well then digressing into such ventures as matched markets might make sense. But the Main Market resembles the Somme battleground on a bad day, so the LSEG's management should stick to their knitting, instead of seeking legislative approval for what is an unnecessary pet project.

Time will tell….

Further reading: Dr. Philip Roscoe - *The rise and fall of the penny-share offer: A historical sociology of London's smaller company markets*, School of Management, The University of Saint Andrew

https://research-repository.st-andrews.ac.uk/bitstream/handle/10023/11688/P_Roscoe_Rise_and_Fall_of_the_Penny_Share_Offer_October_2017.pdf;jsessionid=B3D0E46750F9424B661A10F83D352FE1?sequence=5

Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Hallgarten's Equity Research rating system consists of LONG, SHORT and NEUTRAL recommendations. LONG suggests capital appreciation to our target price during the next twelve months, while SHORT suggests capital depreciation to our target price during the next twelve months. NEUTRAL denotes a stock that is not likely to provide outstanding performance in either direction during the next twelve months, or it is a stock that we do not wish to place a rating on at the present time. Information contained herein is based on sources that we believe to be reliable, but we do not guarantee their accuracy. Prices and opinions concerning the composition of market sectors included in this report reflect the judgments of this date and are subject to change without notice. This report is for information purposes only and is not intended as an offer to sell or as a solicitation to buy securities.

Hallgarten & Company or persons associated do not own securities of the securities described herein and may not make purchases or sales within one month, before or after, the publication of this report. Hallgarten policy does not permit any analyst to own shares in any company that he/she covers. Additional information is available upon request.

Web access at:

Research: www.hallgartenco.com

60 Madison Ave, 6th Floor, New York, NY, 10010