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UK Equity Capital Markets Insights — May 2025

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In this edition of *UK Equity Capital Markets Insights*, we report on proposals to refresh the rules for companies on AIM following the introduction last year of new Listing Rules for Main Market companies; an update from the FCA on the regulatory framework for PISCES, including proposed changes to the rules under consultation; a new Primary Market Bulletin from the FCA (PMB 55) updating on the status of a suite of its technical and procedure notes covering the UK listing regime; highlights from the pipeline of financial services-related regulatory change set out in the Financial Services Regulatory Initiatives Forum's latest regulatory initiative grid; HRMC's update on modernisation of stamp taxes; guidance from the Department of Business and Trade on new regulations updating directors' remuneration reporting requirements; and government recommended guidance for companies on managing cyber risk:

LSE Consults on the Future of AIM

On 7 April 2025, the London Stock Exchange released a discussion paper on the continued development of the junior market, AIM, including proposed changes to the AIM Rules for Companies (AIM Rules). This follows last year's significant changes to the Listing Rules for listed companies on the Main Market.

The discussion paper seeks feedback on what AIM's role is within the broader UK capital market framework and where changes to the AIM Rules could be made to streamline processes and remove unnecessary burdens on AIM traded companies, whilst also ensuring investor confidence is maintained. Among other things, the discussion paper seeks feedback on the following potential changes:

- Updating the content requirements for an admission document, adding new optionality for a simplified admission document and the ability to incorporate certain information by reference;
- Modifying the requirement for the inclusion of a working capital statement in an admission document, including circumstances where no working capital statement would be required;

- Updating the “class tests” used to classify transactions, including increasing the threshold for substantial transactions to 25% and removing the profits test (other than for related party transactions), bringing them in line with the changes to the Listing Rules for the LSE’s main market;

- Revisions to the related party transaction regime to reflect existing shareholder safeguards and reduce the burden on companies who are required to consult with their nominated adviser and give a fair and reasonable statement;

- Relaxing the reverse takeover rules by dispensing with the need to produce a ‘re-admission’ admission document where a transaction does not result in a fundamental change of business;

- Recognition of a wider set of local accounting standards than those currently permitted in AIM Rule 19; and

- Simplifying the work of a nomad for admissions via the AIM Designated Market route, a streamlined admission process for companies trading on other comparable markets.

The London Stock Exchange has requested feedback on the matters raised in the discussion paper by 16 June 2025.

FCA Update on Regulatory Framework for PISCES

On 10 April 2025, the FCA published a statement on its approach to finalising the regulatory framework for the Private Intermittent Securities and Capital Exchange System (PISCES) sandbox, a regulated trading platform to enable the intermittent trading of existing shares in private companies. The statement outlines the FCA’s anticipated response to feedback received on its Consultation Paper 24/29 (CP 24/29), which proposed the initial framework for the PISCES sandbox.

The FCA does not intend to make material changes to the proposed framework put forward in CP 24/29, but does intend to propose various ‘technical’ changes to the rules described in CP 24/29 to align PISCES with private market practices whilst maintaining appropriate market standards. Proposed changes include amendments simplifying the core disclosures companies are required to make; removing post-trade disclosures on directors’ transactions and major shareholders’ positions; and clarifying expectations around operator oversight.

The positions outlined in the statement are subject to further development by the FCA and may be adjusted in its final policy statement and rules.

The FCA expects to publish a policy statement and final rules for the PISCES sandbox in June 2025. Applications will then open for potential PISCES operators. Regulations to create PISCES as a financial markets infrastructure sandbox are expected to be laid before Parliament by May 2025.

FCA Publishes Primary Market Bulletin 55

On 17 April 2025, the FCA published Primary Market Bulletin 55 (PMB 55), its newsletter for primary market participants.

In PMB 55, the FCA is seeking input on proposed changes to guidance in the Knowledge Base, in particular to reflect last year’s changes to the UK listing regime and feedback on the sponsor regime. The FCA is consulting on amendments to Technical Note 710 (Sponsor Services: Principles for Sponsors), which was initially consulted on in PMB 48 and PMB 53, and consequential changes to five other technical notes that still refer to the pre-July 2024 UK Listing Rules.

The FCA is also consulting on proposed updates and clarifications to UKLA/TN/507.1, “*Structured digital reporting for annual financial statements prepared in accordance with IFRS*”, including to reflect the fact that a new European Single Electronic Format taxonomy has been published.

PMB 55 notes that the FCA has made amendments to 44 existing Technical and Procedural Notes and deleted one Technical Note and one Procedural Note, which related to choice of home member state and passporting. The FCA has also made updates to various modules of the FCA Handbook to ensure that it refers to the latest edition of the UK Corporate Governance Code (dated 2024).

The FCA has requested responses to the amendments proposed in the Technical Notes by 15 May 2025.

Financial Services Regulatory Initiatives Grid Update Published

On 14 April 2025, the Financial Services Regulatory Initiatives Forum published the April 2025 update of its regulatory initiative grid (the Grid), which sets out the regulatory pipeline and reflects changes in priorities following the change in the UK government in 2024. The Grid is published twice a year to assist the financial services and wider corporate sector in managing regulatory change by outlining proposed reforms to regulation in the coming two years. This version is the first full update since November 2023, following the postponement of the May 2024 edition because of the UK general election.

Of note in the latest edition of the Grid is confirmation that the FCA:

- Is aiming to publish its final rules and policy statements in relation to the new public offers and admissions to trading regime (to replace the current UK Prospectus Regulation regime) in summer 2025, to take effect in early 2026;
- Will publish the final rules relating to the PISCES sandbox (see above) once the statutory framework is in place;
- Is aiming to consult, during Q3 2025, on new sustainability-related disclosure requirements for UK-listed companies following the publication of the International Sustainability Standards Board (ISSB) disclosure standards in 2023. The Grid also notes the government is expected to consult on the UK version of the ISSB standards in H1 2025; and
- Expects the UK to move to a T+1 settlement cycle by October 2027.

HMRC Updates on the Modernisation of Stamp Taxes on Shares Framework

On 28 April 2025, HMRC published a summary of the feedback it received on its consultation from April 2023 on proposals to modernise the UK's approach to stamp taxes on shares (currently a 0.5% tax on chargeable consideration paid). The outcome of the consultation is that the government will proceed with most of its proposals as previously outlined, with the goal of introducing in 2027 a single tax to replace stamp duty and stamp duty reserve tax; its legislative framework; and an online portal to report transactions and pay applicable tax.

HMRC is also consulting on proposals regarding the 1.5% higher tax rate on certain transfers of UK securities to depositary receipt issuers or into clearance services. Responses to the consultation are requested by 21 July 2025.

DBT Publishes Guidance for Director Remuneration Reporting

On 23 April 2025, the UK Department for Business and Trade (DBT) published guidance to accompany the Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 (see the April edition of this newsletter), which come into effect on 11 May 2025. The regulations remove certain overlapping requirements from the directors' remuneration reporting framework for UK-quoted companies and clarify certain powers of the UK audit regulator. The guidance provides additional clarification on when the following aspects of the regulations will apply:

- Directors' remuneration reports: Relevant changes will apply to the first remuneration report that a company publishes for a financial year beginning on or after 11 May 2025. For remuneration reports which relate to a financial year that began before 11 May 2025, the reporting requirements that were in place prior to this date will apply.

- Directors' remuneration policy: Changes concerning the directors' remuneration policy will apply to any new policies approved by shareholders on or after 11 May 2025. Any remuneration policies approved before this date will remain in force after 11 May 2025 until the company receives shareholder approval for a new policy.

- Payments to directors: From 11 May 2025, any proposed payments to directors that fall outside the existing remuneration policy will require shareholder approval, although the relevant policy will no longer need to be first revised and approved as consistent with the payment.

Cyber Governance Code of Practice Published

The Department for Science, Innovation and Technology (DSIT) published its Cyber Governance Code of Practice, alongside supporting materials such as training modules and a toolkit for boards. The Code of Practice is aimed at boards and directors of medium and large organisations and outlines the steps and actions boards and senior executive leadership should consider to manage cyber risks and reduce the impact of cyber-attacks.

Small businesses are also encouraged to implement the principles set out in the Code of Practice, with further guidance specific to smaller businesses available from the National Cyber Security Centre (NCSC) website.

The Code of Practice complements the NCSC Cyber Essentials scheme, and together these set out the recommended minimum standard that organisations should have in place to manage their cyber risk.

UK Equity Capital Markets Insights *is a newsletter from Paul Hastings on legal and regulatory developments affecting UK-listed companies and capital markets participants. Sign up here to receive this and other regular updates and invitations from our Equity Capital Markets team.*

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If you have any questions concerning these developing issues, please do not hesitate to contact either of the following Paul Hastings London lawyers:

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