

AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Did the Mansion House speech hold subtle clues over market evolution?

The annual Mansion House speech – and the accompanying release of a raft of associated policy documents – took place in mid-November. It seemed to provide little in the way of genuine innovation and instead was largely a re-work of ideas from the past. However, a few more notable insights were offered over the planned roll out of the PISCES private market framework. One eye-catching line here was the mandate that transactions in these issuers' stocks won't have to be settled through a Central Securities Depository (CSD), such as CREST. This led the team at Avenir Registrars to ponder why such a carve out had been made – and what it might mean for the future.

1) Was it done to align with existing private markets?

Possibly – the narrative may be that PISCES is a world first, but the reality is different with other private markets well established both at home and abroad. Nasdaq Private Markets, Dubai's ARENA, TISE Private Markets out of the Channel Islands (who recently opened an office in London) plus home grown examples like JP Jenkins and Asset match already operate in this space. Those operating in the UK don't obligate issuers to settle in CREST – even if many elect to do so. By way of an example from International venues, neither TISE nor Nasdaq obligate the use of the CSD, either.

2) Is it a bid to provide a lower cost option?

Removing the CSD from the equation can significantly reduce costs for shareholders, who otherwise face paying custody fees, although it does present a different set of risks for parties involved in the transaction. Settling direct to register rather than via a CSD is a process already in use by the Channel Islands, TISE Exchange. Indeed the platform used here was developed by our sister company, Avenir Technology. However, direct on register settlement requires a cash settlement provider and this remains an obstacle that would need to be overcome. That said, direct on register settlement is certainly viable under the proposals, especially given the removal of stamp duty for shares to be listed on PISCES would permit digitisation of stock transfers forms, too.

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3) OK, so this seems quite a progressive development?

Yes and especially if there's a move to use direct, on-register settlement, then the benefits could be vast and the solutions to support this are already available. Our technology can already handle many settlement formats including the common Free of Payment and Delivery versus Payment protocols, either with or without a Central Counter Party (CCP) clearing house. Other jurisdictions are making progress here, reducing settlement times and improving market quality as a result. London following would be no bad thing.

4) Does it align with a broader move to use distributed ledgers?

Again possible – the Mansion House speech saw news of the Digital Gilt Instrument resurfacing. This will use distributed ledger technology (DLT) and is said to be demonstrating the government's commitment to innovation in the financial services sector. With the new US administration set to take a very accommodative line when it comes to crypto (so by proxy the blockchain in general) innovation here has never been more important for a financial hub to remain current. Will we see other products migrate in this direction? Regardless, there remains a significant lack of mention of the future digitisation pathway for all UK listed company shares. This will undoubtedly have a bearing on what technology gets applied to shares on PISCES venues.

By drilling into the subtext of the Mansion House speech and its accompanying documents, there is some sign of innovation. Anything that brings down the cost of maintaining a listing is to be welcomed, especially in an environment where issuers are increasingly questioning the value they are deriving. Avenir Registrars is well placed to adapt to many of these possible changes, with our proprietary registry system already capable of handling direct settlement.

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