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GATE GLOBAL IMPACT



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Market Infrastructure for Private and
Unregistered Securities

SEC Advisory Committee on Small and Emerging Companies

The Growing Secondary Market for Private Shares



Developing Market

- ❖ Secondary Private Equity Market growing dramatically
- ❖ New market infrastructure needed to support expansion
- ❖ Centralized electronic marketplaces will bring greater transparency, efficiency, and liquidity

What's behind the growth?

- ❖ Decline in smaller, venture-backed IPOs
- ❖ Growing efficiency and maturity of the market
- ❖ Time to IPO for venture backed companies has doubled



Market Evolution



Mature, liquid asset classes such as listed equities, fixed income, foreign exchange, and commodities have all followed a similar path



- ❖ Secondary trading in private equity has developed quickly to the point of **electronic quotation** through online bulletin boards that allow members to post bids & offers
- ❖ The natural progression of the secondary private equity marketplace is through the development of new technology infrastructure to support growing participation and volume
 - Move to electronic execution through ATS venues
 - Electronic connectivity through FIX
 - Development of a central depository for private share



New Market Infrastructure

Benefits for Market Participants



New technology infrastructure is required to support the evolution and expansion of the market

- ❖ Bulletin boards were the first step toward a more centralized market
- ❖ Voice-brokerage models limited by personnel bandwidth
- ❖ Electronic systems can provide greater distribution and lower execution cost

Centralized electronic transaction venues benefit market participants

- ❖ **Transparency**
 - Better view of market activity for participants
 - Enables regulatory oversight without additional regulation
- ❖ **Efficiency**
 - Electronic execution lowers transaction times
 - Buyers & Sellers have more information on which to base decisions
- ❖ **Liquidity**
 - Connectivity increases potential liquidity sources
 - Transparent market environment brings increased confidence
 - Potential for private shares to be held in street name



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