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Private Market Talks:

Designing a Platform for Private Company Secondaries

October 30, 2023

As growing companies delay IPOs or sales, private company secondaries have become a rapidly growing market opportunity, especially as investors, founders and employees seek liquidity by selling a portion of their investment in a private company.

Tom Callahan, CEO of Nasdaq Private Market (NPM), recently joined Private Market Talks to discuss the private company secondaries market – a historically opaque and inefficient market – and the challenges faced by investors, founders and employees when they go to trade their shares. He also takes us through how NPM is uniquely positioned to create a transparent, tech-friendly, efficient and trusted platform for trading of these secondaries. And, with over 30 years of experience in the financial services industry, Tom also shares his advice for anyone with an entrepreneurial spirit looking to make their mark in the sector.

Peter Antoszyk: Hi. Welcome back to Private Market Talks, a Proskauer podcast. I'm your host, Peter Antoszyk. Many of our listeners are founders or investors in early- to late-stage private companies, and those investments, by their very nature, are illiquid. In today's current market, the hold period is getting longer and longer for these illiquid investments. Because of these trends, there is a growing need among founders, employees and investors in these companies to sell their shares for liquidity or to rebalance their portfolio strategies. As a result, a narrow segment of the private market's industry — private company secondaries — is gaining traction. The old school process for connecting buyers and sellers of these private market investments is both time consuming and cumbersome. But as with many things today, technology is rapidly changing how these investments are transacted, creating a much more efficient market and fueling the growth of this industry.

But what are private company secondaries, and what makes them attractive? How does the technology work, and what risks should buyers and sellers be aware of in these secondaries? Tom Callahan joins me today to answer those questions.

Tom is the Chief Executive Officer and Manager of the Board of Managers of Nasdaq Private Market, a leading global, technology-driven platform that facilitates the efficient trading of private company secondaries.

Tom has 30 years of leadership within the financial services industry. Prior to Nasdaq Private Market, he served as the head of Global Cash Management and a member of the Global Operating Committee at BlackRock. Tom led the transformation of the firm’s global cash management platform, a $700 billion business, growing it by over $500 billion. Previously, Tom served as the CEO of NYSE Liffe U.S., a U.S. futures exchange of NYSE Euronext, and prior to that he held various leadership positions at Merrill Lynch. Tom also has a soft spot for rescue dogs.

As with all our episodes, you’ll find a complete transcript of this episode, together with other helpful links at PrivateMarketTalks.com. And, please “subscribe” and hit “like.” And now, my conversation with Tom Callahan.

Peter Antoszyk: I want to thank you for doing this. I appreciate you joining us on Private Market Talks. I’m really excited to talk to you because I think the story of Nasdaq Private Markets is interesting, and it occupies an interesting niche within the private markets. I think that this is going to be an interesting conversation for our listeners and for myself, frankly.

Tom Callahan: Well, I’m excited to be here, Peter. Thank you so much for inviting me; it’s a great honor.

Peter Antoszyk: Before we dive into Nasdaq Private Markets, it would be great just to get a little bit of background about yourself and your journey, how you found yourself at Nasdaq Private Markets.

Tom Callahan: Sure. Well, this year and I can't believe — saying it out loud — I'm celebrating my 30th year in the financial services industry. And I've done an awful lot of different things, Peter. I started out the beginning of my career back in the 90's. I was a bond trader, and those were back in the days pre-algo trading, pre-computer trading, pre-microsecond execution. It was trading floors with big gorillas like me. We haven't met in person, but I'm 6'6", and they liked big guys because we were intimidating on the trading floor and that was the sort of equivalent of co-location at the time. That was your strategic edge. So, I went from that to today's world where everything is done silently by computers, in fractions of a second. So, I've seen the full evolution of market structure, and that's been really exciting for me.

Along the way, I've done a whole bunch of different jobs, but I would say the commonality between all of it — after I left trading — was either starting new businesses or fixing broken ones. Surprisingly, those two things have an awful lot in common. So, you know, I was sent to Europe for five years, living in London with Merrill Lynch fairly early in my career and rebuilt their rates trading business there; ran a prime brokerage business back in New York after that; and then right around the time of the Global Financial Crisis, I really got very concerned about the state of the of the global banking system. I thought that a good refuge might be to go work for an exchange, thinking that maybe the OTC markets, which were really at the epicenter of all the problems back in '08, that there may be a big push to on-exchange trading. So, I went to the New York Stock Exchange in 2008 and ended up building and being the CEO of their U.S. Futures Exchange, which we actually spun out of the NYSE and created a consortium around. I built an exchange, I built a clearing house — which not many people have done — and that business was sold to ICE as part of the NYC Euronext Acquisition back in 2013.

I left that to go to BlackRock, the world's largest asset manager, and spent nine very happy years there. That went into the category of a business repair. I'm not sure how much you know about the cash management or the money market business, but that was a business that somewhat spectacularly — kind of across the industry — had fallen on hard times. Not at BlackRock, but there were other very high-profile money funds that broke the buck and needed to be bailed out.

The cash management industry — which for BlackRock, was one of the core businesses that actually built and helped to found the firm — had really lost a lot of assets and fallen on hard times. So, they asked me to come in, in 2013 and rebuild that business. In nine years, we took their assets from $250 billion to $750 billion, adding a half of a trillion dollars in assets. We rebuilt the tech, the products, the people, everything. That was really just a fun, fun journey at an amazing company. But I really did miss the startup world and the energy and the passion, having done it once before. I was approached in 2022 about this job and honestly, Peter, didn't really know that much about the private markets. I was sort of an exchange and a cash management and an asset management guy.

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Peter Antoszyk: Not many people did, by the way, at that time.

Tom Callahan: I discovered this $4 trillion asset class hiding in plain sight. It's four times the size of the crypto market. It's about the same size as the U.S. municipal bond market. But when I looked at it, it honestly looked like the bond market in 1970 or maybe the public equity markets in 1920. Just primitive, no infrastructure, no data and just a market that really needed to be completely transformed and evolved as every other asset class. So, it just struck me as an amazing, unique opportunity to come in to do something really big and really transformational. I got excited and it took me back to my entrepreneurial roots. So, that's been more or less the journey.

Peter Antoszyk: And so, tell me about Nasdaq Private Markets. It's not part of Nasdaq, just to be clear to our listeners, right?

Tom Callahan: It is. Once upon a time, it was part of Nasdaq, and that's part of the story. So, let me pick it up there. The birth of NPM, as we call Nasdaq Private Market, and the birth of the private market sort of happened concurrently. The trigger, and I'm sure you know all this, Peter, the starting gun for the hyper parabolic growth of the private markets that we've seen was 2012: the passage of the Obama-era legislation, the JOBS Act...what did that do? It really liberalized the ability of private companies to take on more shareholders. There previously had been a cap at 500 shareholders. So as a private company, once you got to 500, you wanted to raise new capital. You were sort of forced to go public.

20 years ago, the average company IPO'd at five years old. Now here we are, in 2023, the average company IPO's at about 14 years old. The JOBS Act just made it easier for private companies to stay private because it put the cap at 2,000 shareholders. In parallel to that, there were some other macro evolutions and the hyper growth of venture capital. So not only could you take on more shareholders, there was this massive reservoir of private capital waiting to be deployed into private companies. So, these two forces collided. There were 40 unicorns a decade ago. Unicorn, being a private company with valuation over a billion dollars, and today, there's about 1,000. So, it's an asset class that has grown. For eight, nine years that NPM was part of Nasdaq, it did one thing and it did one thing incredibly well — it sort of created a new industry, if you will, and that was running private company tenders. There's been tenders in public companies forever, but really up until then, there really hadn't been a lot of private company tenders.

So NPM built a piece of technology and our core client was and, in many ways still is, private companies. So, what do they need? When you're a private company, if you're going to wait 14 years to IPO, the majority of private company employees get paid in shares, those shares vest, and at some point along the journey, those employees want to buy houses or pay off student loans or pay for weddings. All those things that people need to do. And if you're a 25-year-old private company engineer, it's awful hard to say, "Well, you know, wait till you're 39 to buy your first house because that's when you're going to actually get liquidity in these shares."

So as these shares vest and employees need liquidity, it really becomes a critical retention tool for private companies to be able to convert those vested private shares into cash. And so that's what tender programs are. And so NPM runs tender programs for large decacorns with 8,000-9,000 employees, and some of the biggest private companies in the world, all the way down to small local hospital systems with 20 or 30 doctors that need to run, you know, private liquidity programs and everything in between.

That's what it did for a very long time, until 2021, when a group of global banks got together and were looking at this asset class and thinking, "We need to find a way to modernize it. We need to create a platform that's trusted, that's institutional, that has real regulation, that has real technology. We need to have a place we can go and transact with confidence."

Think about a big global bank, Peter. They have a private wealth business that has a lot of entrepreneurs that own private shares. Or maybe they want to invest in private shares, and they cover venture capital firms, and they cover big buy-side firms that have capital that they want to deploy. So, for a lot of these banks, some of their biggest and most profitable clients are heavily, heavily exposed to private markets. To not to have a place that they could go and transact with confidence is a serious problem. So, they approach Nasdaq about spinning the company out.

We are, as you say, an independent company now. We preserved the brand because Nasdaq is such a powerful brand and it engenders so much trust and confidence. So, we kept the name. But we're now an independent company and we're actually in the middle of our own Series B, because of course, we're a private company ourselves, and we're about to add a group of new partners as well.

Peter Antoszyk: So, do you cover any particular sectors or asset classes?

Tom Callahan: The majority of our clients are very tech, health tech-focused. If you look at the complexion of unicorns, I think something like 70% are in the technology sector. We do have all types of different clients, in all different types of sectors, but it is very, very heavily weighted towards technology.

Peter Antoszyk: And in terms of the companies, you tend to work with, are there any types or any points in the life cycle of those businesses that you tend to focus on more, or tend to get involved in more than others?

Tom Callahan: Yeah, it tends to be the more mature companies and we've done companies as small as Series A. But in general, as companies get larger, more mature, take on more employees — especially if they're competing with a public company —if you go to work for a public company, you're given shares, usually in the form of RSUs, they vest every three years and when you get them, you can sell them on your Charles Schwab account. It's a pretty simple, straightforward liquidity mechanism. Well, if you're a private company and you're paying people in illiquid private shares, it gets to be a critical employee retention tool. So, it tends to be larger companies, mostly when they get within sort of 24 months of an IPO, that's the point where you want to offer liquidity to some of your very early round seed/angel investors. You know you want to clean up the cap table. You want to bring in larger, more strategic investors, maybe those early round investors that help to get you from start-up in your mom's garage to Unicorn. Their strategic value is less, and you want to bring on new investors so there is a need sometimes to clean up the cap table, obviously, as I said, offering liquidity to employees. So, it tends to be in the later stage that our private company clients tend to get most active.

Peter Antoszyk: So, you described three key aspects of NPM. You described — you said there are three things that the banks were looking for: technology, trusted platform and a regulated platform. I'd like to touch upon those three things. Maybe walk us through how you hit the mark on each of those, and let's start with the NPM technology. Can you describe the technology framework of NPM?

Tom Callahan: So, our approach, Peter, to this space, is it's grown incredibly in the last decade. But what has not grown incredibly is the infrastructure to support it; there really is none. And when there is no technology, when there is no infrastructure, what's left is just humans in the loop. So, what I would say traditionally, for most of the last decade, the dominant players in private secondaries have been small boutique brokers. Their commissions tend to be very high; five, six, seven, eight percent. There's not a lot of transparency if you're a buyer or seller or private company shares. There's no tape. You can't say where's the last place this traded. It's a workflow that I'd say has a lot more in common with buying and selling residential real estate than it does buying and selling a share of Apple. It's just sort of this forest of friction and inefficiency. And so, what am I talking about? The average time to settle a private market trade historically has been about three months. When you transact in your brokerage account, Peter, you don't spend a nanosecond worrying, "Oh my God, I just sold those shares in Apple. Is that going to settle? Is the money going to show up?" That never crosses your mind. While in the private markets, that's a huge, huge problem, because it really is such a clunky sort of analog process.

Peter Antoszyk: I would imagine also in the types of businesses that you're primarily focused on, a lot can happen in three months. That really could impact the transaction.

Tom Callahan: Exactly. So that's the sort of current state of the landscape —— this desperately manual process with lawyers and signatures and months and months —— that we're trying to streamline and automate. So, what we've done is really focus on the workflow, because one of the unique things that people don't quite understand about the private markets is that the company itself is always at the center of a private market transaction because in almost all cases, companies need to approve a transfer of private company shares. Unlike the public equity markets where they issue equity and it trades and the company doesn't control that. In the private space they do.

So, if you’re a seller, I’m a buyer and you and I agree on price, that only gets you halfway there. You have to go to the company and get their permission, and they have to grant it for that trade to consummate. So, what we’ve built in our technology is really more of a workflow management tool. Because if you think about how a bank in this space would service their client, they need to onboard the client. They need to do AML, KYC (anti-money laundering, know your customer). There’s something called shareholder verification, which is if you say you’re a seller of shares, there’s no DTCC (Depository Trust and Clearing Corporation), there’s no central registry in the private market. So, I can’t just take your word for it. I need to go to the company and I need to verify that you are who you say you are and you have the shares you say you have. Only the company can verify that. Then there’s other documentations that need to be signed in advance, and that’s all before we match the trade. Again, it feels more like residential real estate. Then you bring the buyer and the seller together, and you match the trade, and we have a lengthy settlement process.

So, what our technology has done is really built an order management system that streamlines and automates all those processes. So, it happens efficiently and quickly in one integrated workflow. So, for example, our settlement service can sell trades in less than a week — radically improved versus the current state of the market. So really, we’re leading with technology and automation and that’s what great tech does, right? Great technology takes clunky, headachy, high friction workflows that no one likes, and it streamlines and automates them. And this space is screaming for that. So that’s really been our core strategies. How do we deploy technology through streamlined and automated workflow with the intention of creating better transparency, better efficiency and ultimately better liquidity in the private markets? And I think there’s sort of a higher purpose to all this right now, just given where we are in the economy.

Obviously in ‘20 and ‘21 there was a liquidity-fueled bubble that drove valuations to extremes and there were huge, huge amounts of money chasing every asset in the private space. All the frictions, Peter, that I talked about? They existed two years ago, but honestly, there’s just this sort of tsunami of liquidity that overwhelmed it. Well, now obviously in 2023, we’re in a very different world and all that air has been taken out of the bubble and, actually, capital is really hard to come by.

There are many, many hundreds of great private companies that are innovative with good business plans and frankly, who are just struggling to get funded because the hangover after the party of ‘20 and ‘21 is acute. Someone needs to build a more efficient platform to connect buyers and sellers in this space. Because ultimately, you know, it’s innovation that’s at risk. If great companies that are doing great things that are disruptive and are innovative and have a really unique opportunity to have a positive impact on the economy — if they start failing just because of lack of capital, lack of access to capital, then I think that really is a tragedy. So, you know, that’s how we think about our purpose as a company, and really supporting innovation through efficiency is a big part of what we’re doing.

Peter Antoszyk: And so, this second component: you have your technology, which has created efficiencies in the market. You also described that it has to be trusted. And that was a key component. Imagine that’s a very important component to your investors. How have you met that need?

Tom Callahan: Part of it gets to how we’ve set up the company. We’re regulated under the SEC in what they call an ATS, alternative trading system, which is sort of an exchange-like designation from the SEC. The private markets — again, given that they have been dominated by these small boutique brokers — they’re a bit infamous, Peter, for bad behavior. What does bad behavior look like? Well, someone will troll LinkedIn to find employees or former employees to sell shares and they’ll say, “Oh, a buyer of your shares at X price.” But they’re just trying to sort of scare up the other side, and we hear that from our institutional clients all the time. They’re just sick and tired of misinformation, people representing that they have buyers or sellers where they really don’t, and they go to act on a price and the trades start falling down, and they end up wasting a lot of time. They go to their investment committee because they think they have an actionable transaction, and they go to trade, and it was all just a mirage. That’s been the hallmark of this space, if I’m very honest with you, and that’s really what we’re trying to change.

So, when orders come to our market, they're in that regulated framework and everything is verified and everything is authenticated. Errors are exclusive to our market. So, when you come to transact on Nasdaq Private Market, you know that the price is real. You know that the counterparty is real. You know they're verified, you know the trade is going to match and it's going to settle. Now you may be thinking to yourself, "Well, what's so special about that?" Of course, and you're right to ask the question. That's the baseline that every investor should expect in every single asset class. It just hasn't really existed in the private markets.

Peter Antoszyk: Can you walk me through a typical transaction, what the structure might be? The fee structure, the process? Just to put some structure around the concept of this framework that you've described.

Tom Callahan: I should clarify that our primary alignment as a company is with our bank partners. We are a bank consortium. Our owners are Goldman Sachs and Morgan Stanley and Citi and Nasdaq is still one of our largest shareholders, as I mentioned, we're in the process of the fundraising where we're bringing in a group of new, additional banks as well. So really, we view, in terms of secondary market liquidity, ourselves as a service provider to the banks. And so, we do not have commission brokers, we're a platform. We never want to be in a position where we're competing with our clients, and if we had brokers that were trying to win clients away from the banks, that would fail the test of alignments. The majority of our flow comes to us directly from our bank partners, and they have private wealth clients, they have VPs, they have buyside investors, whoever owners of private shares are or anyone who wants to invest in private shares.

Peter Antoszyk: I'm also interested in how people access that, investors access, potential purchasers.

Tom Callahan: If you’re an investor looking to purchase shares in a private company, essentially you need to be sponsored by one of these global banks, and then you can come directly into our market. And you can post bids, you can post offers, you can transact in our market, but always in partnership with a designated bank because we never want to be in a position where we’re competing directly against our bank partners. So, we don’t have commission brokers on our platform. We charge flat platform fees. We don’t want to be frenemies to our clients. We want to be partners. We want to be a platform, and we want to be a technology provider.

Peter Antoszyk: Makes total sense. You mentioned a couple of things that sound like challenges, and the two that you identified were valuation, and the second is the company needs to consent. I’m sure there are others, but I’d like to start and zoom in on those two.

The first one, I think is a particularly interesting issue which is valuation, which creates at least two issues in my mind, that I’d love to hear your view. One is, how do you establish value? How does a seller and buyer have confidence in the value? And second is, what has been the impact of the volatility in value over the last year or so, and how have you managed to address that on your platform?

Tom Callahan: Yeah, Peter, you just put your thumb on the most significant challenge facing the private markets right now. Traditionally, at least in a bull market, valuation hasn't been that big of an issue, because as companies grew and raised money in successive rounds from A to B to C to D, their valuations tend to go up. And so, if you want to look to see what is the private company worth, you would say, well, where did they last raise money? And they probably raised money from some of the largest, most sophisticated Sand Hill Road venture capital firms and okay, that's where they all bought in. So that's a pretty good metric. It was sort of 'last funding round plus,' and for a long time in the market, that's how valuation was really established in the private markets. Well, what happened in 2022? You saw this radical correction in private market valuations, and you saw headlines of companies like Klarna revaluing themselves 85% down. In stark contrast to the public markets, where there is a regulated tape, where all the exchanges have to publish all their trades, where you, right now on your phone, Peter, could pull up an app and find out where any stock is trading in a matter of seconds — that doesn't exist. There is no regulatory requirement for a tape. So if there's no tape requirement, you can't see where last trades happened. If the last funding round was in '20 or '21, and now the valuation may be 50, 60, 70 percent lower, how does an investor, or how does a seller of private shares figure out, where is fair value? Where is the market? It's a big challenge. It's a bigger challenge compounded by the fact that for about a year, from between about June of '22 and June of '23, the private markets were for all intents and purposes, shut down for exactly this reason.

Buyers just had no confidence in what a private company share was worth. There were 10 sellers to every buyer, bid offers widened and transaction volumes really shrunk to a trickle. So, in that world, how do you establish value? Well, a few things need to happen. A) there has been a lot of macro healing and return of investor-risk appetite. A lot of investors are looking at the incredible discounts available in private secondaries right now, and they're thinking, "This looks like the real estate market in 2009," where you're buying, portfolios of real estate at pennies on the dollar. So, an awful lot of capital has been raised to invest in private secondary. So, the buyers have come back.

There's obviously been a healing in the macro and the public markets have really rallied pretty significantly, off the low. I think the macro healing has certainly helped.

The other thing that we do is we look at things like mutual fund marks. Where are the largest mutual funds in the world marking these positions? That's a publicly available data point. That's very, very helpful. There are times where the companies themselves gives us financial data that we can use to help value the companies. We can look at things like private-to-private comparables. We can look at public-to-private comparables, and of course, we look at transaction volume on our platform. But I guess the long answer to a short question, Peter, is there's no simple way to do it. It's a bit art, it's a bit science, and you really have to stitch together the fragmented information that you have to create something that looks like fair value, and that's a big part of our strategy, and our data strategy is to try to create that level of transparency.

Now I think in time, regulation catches up with this and there will be more of a regulatory imperative to create transparency. You have tape A, B and C in the public markets. You have things like trace in the bond markets that is solving exactly this problem, forcing transparency to where transactions are happening. In time, I think that comes to the private markets, but for now it's left to players like NPM to try to solve that problem ourselves.

Peter Antoszyk: I would think that your proprietary data, just on trades that you have done, would be an incredibly powerful tool.

Tom Callahan: It is; trades that match on our platform are incredibly valuable. I mentioned this, this concept of building technology and building fundamental infrastructure. One of the pieces of infrastructure that we've rolled out is the settlement service, and we settle trades not only that happen on our platform, we'll settle any trade that happens anywhere in the private markets. You can trade on a competitor to match bilaterally, maybe a bank matches buyer and seller themselves, but we can step in and settle that trade. So, we're the exclusive settlement agent for a number of private companies, a number of banks and brokers. In addition to the trades that match on our platform, as the universal settlement agent, that gives us access to an awful lot of data as well. So again, all these become inputs into our data models.

Peter Antoszyk: One of the other things you mentioned is that the company has to consent. What challenges have that presented for you or sellers? Have you seen a pushback from investors in those companies, or the companies themselves, to permit these types of transactions out of concern for, among other things, establishing a value that they may not want to establish at any particular time?

Tom Callahan: Well, it's a really timely question, Peter, and the answer is yes. I mean, it's kind of a crazy system, but it's how things work. Can you imagine the CEO of a publicly traded company calling the exchange in the morning and saying, "Please don't let my stock trade below $19.00 today?" It's laughable that something like that could even exist. Well, in the private markets, that's exactly how it works. Oftentimes, private companies will set a price, and they'll say, "Well, my shares aren't allowed to trade, but we won't approve anything below X price." Why? They're trying to preserve their valuation, maybe they're doing a primary round. Whatever motivations, but it's not necessarily always a free market in that buyers and sellers match wherever supply and demand meet equilibrium. They oftentimes match where the companies say that they will, and a huge source of frustration, because what that does is trap capital. You have willing sellers that want to sell shares, you have willing buyers, and then that gets blocked by the company, and that really just sort of freezes the system. So, I think a lot of these deals and these transfer restrictions, honestly, were negotiated at a very different time in the market in 2021.

I would say there has been a huge shift in thinking around this whole concept of secondary liquidity. A lot of the VC's themselves, historically, Peter, really didn't like the idea of liquidity in private shares; their view was, "Listen, we're investing in these companies, and everyone's interests should be aligned, and you get liquidity when we get liquidity. So, someday we'll IPO or we'll sell the company, but until then, we're all in it together, so no liquidity." That, historically, has been how a lot of VC's have sort of been very hostile to the idea of secondary liquidity. I will tell you, in today's market, that is really shifting, and I'm sure you've seen a number of big VCs have been reported as being active sellers of their portfolios in the secondary market. Why? Because IPOs are grudgingly reopening now, but very slowly. M&A is still at a relatively low level, so the only game in town for them to achieve liquidity, to return money to their investors, is the private secondary market — and you know, just to be more specific, the average VC investment vehicle is 10 years. Well, I already mentioned the average private company is IPO'ing at 14 years. So, you've got a bit of an asset liability mismatch when the fund itself is 10 years, and you need to return capital at the end of that time and the assets are 14 years. What do you do? You need to sell in the secondary market. So, this problem starts to heal itself a little bit as new deals are done and new financing rounds are done. In today's market, I think that negotiating more liberal transfer restrictions, so the company doesn't have the ability to block trades — investors are going to demand it because they're, in today's world, really understanding the value and the need for liquidity in private shares.

Peter Antoszyk: Any other trends or challenges that you're facing as you're trying to grow this business?

Tom Callahan: We already talked about some of the macro headwinds, they're really starting to abate. For us, it's been a really exciting couple months. We really just launched the platform in May of this year and spent most of June onboarding clients, but July and August were phenomenal months for us and really saw broad adoption of the platform, and I think our timing is good. Our message of being a trusted institutional platform is resonating with the largest investors and asset owners in the world, so it's been a really exciting couple months for us to see things really scale, and I think our pipeline for the remainder of the year looks very good. I think one of the long-term challenges / opportunities is going to be regulation, and I know that it is an item that the SEC is focused on. A number of SEC Commissioners have commented on the need for greater transparency in the private market. I think the view from some Commissioners is that the JOBS Act really wasn't meant to be a subsidy program for decacorns. It was meant to incentivize liquidity on Main Street for very small businesses, but the sort of unintended side effect is, it has created this hyper, hyper growth of private companies. So, there's a general sense on the back of some of the large private company failures that we've seen — Theranos and FTX, and companies like that — there is a general sense that once a private company gets to a certain size, there should be some baseline requirement for transparency. Not at the level of a public company, clearly, but there should be some baseline of transparency. I think in time, anything that improves transparency in the private market is good for liquidity and is good for innovation. So, we are quietly encouraging of that direction. I don't think it's anything that's going to change in the near term, but I think, in the medium to long term, all those forces are really going to improve secondary liquidity.

Peter Antoszyk: And when you talk about innovation, what's your view on what the role of blockchain and the tokenization of shares might have on your main business?

Tom Callahan: Yeah. So, we have a blockchain solution on our platform, and we think it's really critical. There's a massive data problem, Peter, underlying all these things that we're talking about. Because again, without a central registry, without a DTC of the private market, what's the equivalent in privates? It's the company's cap table, and those cap tables change constantly — every time a company hires or fires or does a funding round, it's sort of this moving target of who owns what in the company — and that's a serious problem. Because when a company goes to do any kind of liquidity event, you need to know how many shareholders you have and their share accounts and who owns what — and so, we have a blockchain-based registry product that is a more efficient database. That's how I think about blockchain — for sort of tracking and registering shares in real time, to have that cap table update problem solved sort of instantaneously. So, blockchain — I think a lot of people have described the private markets as the perfect use case.

If critics of blockchain have said, "It's a solution in search of a problem," that problem, I think, is the private markets. And so, we, and I think some others, are really looking to leverage this new technology to create greater efficiency.

The tokenization one, I think, is a little bit more complex, Peter, because — I mean, there are some players in our space that are looking to do that. And I think it is sort of logical and tempting to think, "Well, great, couldn't you just take private company shares, tokenize them, and then they can trade, like, a public stock, or like, an NFT? And isn't that the answer?" I think the challenge is that private companies don't want that. They don't want their shares trading like public stock. They want control. They have these ROFRs. And so, I think if you ask me in 10 years, "Is that the right solution?" I think it might be, but in the near term, the issuers, the private companies themselves, I don't believe want it — and they're telling us that's not the solution that they're looking for, because it really takes control out of their hands. So, on that one, I'll say maybe long term, I'm slightly optimistic, but near term, I don't think the market is quite ready for that solution.

Peter Antoszyk: Got it. Makes sense. You've been an entrepreneur throughout your career, as you said, building and fixing businesses, and I'm curious what kind of career advice you would have for a person that has that entrepreneurial drive and spirit?

Tom Callahan: I'm the father of four daughters, and I have two that have graduated college in the last two years and I've given them the same advice that I'll give you right now, which is, as you're starting off in your career, you can afford to take a lot of risks. You can afford to get it wrong. There's plenty of time to go work for a big company and to be a small cog in a very big machine. But your priority coming out of school really needs to be learning. The place that you were going to learn better value than any MBA is go work for a startup. You know, it's intense, the highs are high, the lows are low, but you're going to find yourself, a year or two into startup life, doing incredible things with incredible opportunities. And it might take you 15 years to get that level of responsibility, in a big, mature company. So, do something crazy, start a business, go work for a startup, try to do something crazy and disruptive. Yes, private companies fail all the time, but the value of the education in doing that, is really going to be unique.

I'm a little bit biased, having worked in big companies and in small companies, but I just think, in terms of the education, the opportunity, the energy, the fun, the dynamism — it's pretty hard to beat working for a private startup.

Peter Antoszyk: Well, listen, this has been a great conversation. I've learned a lot about the private market secondaries, the mission of Nasdaq Private Markets. I think it is an exciting time for your business and it's clear you bring the energy and imagination and entrepreneurial spirit that's going to drive that business forward. So, really appreciate you taking the time to speak with us.

Tom Callahan: Well, you're so kind to include me, Peter. It's been a lot of fun, and maybe we can check back in, in a year or two and I'll update you on our progress. It's an amazing space, and it's an amazing time in this space, and I'm really excited for what we're doing. So thank you for having me.

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