

Nasdaq launches private exchange platform

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Exchange has partnered with SharesPost to offer qualified private companies some services, such as helping to raise capital

After years of talking about launching a marketplace for private companies, the **Nasdaq** exchange has finally put its plan into action.

On Wednesday, the exchange announced the launch of the Nasdaq Private Market (NPM), a platform for private companies to sell stock and communicate with current and potential shareholders. The marketplace is the culmination of a joint venture formed by the **Nasdaq OMX Group** and **SharesPost**, a site for buying and selling private company shares.

“Part of the macro trend is the IPO is being pushed out further in time, so more of the hyper appreciation is occurring on the private side of the divide,” said **Greg Brogger**, NPM’s president and the former CEO of SharesPost. As a result, he said, institutional investors have been hankering for better opportunities to invest in pre-IPO companies.

Brogger said the private markets platform was a long time in making largely due to regulatory hurdles. The market structure is different than that of SharesPost or rival **SecondMarket**, in that outside broker-dealers carry out transactions. Also, he said, “this is a Nasdaq-sponsored platform, so it was taken very seriously by the regulators.”

NPM is initially targeting the kinds of hot venture-backed, later-stage technology and life science companies that are currently sought after by pre-IPO investors. Brogger said they’re not naming names yet, but will likely do so over the next few weeks.

Overall, Brogger said, companies fall into three buckets. There are those who are planning an IPO in the next year or two, and will turn to the private market to help gauge and drum up investor interest.

There are also companies that don’t envision a near-term IPO, but want to offer some liquidity options for employees and other shareholders. And there are what he calls the “permanently private,” who wish to sell some shares to other private investors.

Money-losing early-stage startups need not apply. To list on the private market, a company needs an enterprise value of at least \$50 million, annual net income of \$750,000 or more, and at least a two-year operating history.

It’s too soon to say whether NPM will have an impact on the still-burgeoning market for private company shares. But certainly it has potential to do so, given the brand recognition Nasdaq brings to the table, combined with a structure through which other broker dealers collect fees and commissions for stock

transactions. That presumably would give them incentive to see the venture succeed.

As for whether NPM will help NASDAQ with another big goal – convincing hot private companies to carry out IPOs on its exchange – that, too, remains to be seen.

Exchange officials are hopeful that having deep pre-existing relationships with private companies on NPM will proffer some advantage. In recent years the exchange, which used to dominate the field for technology offerings, has ceded ground to the **New York Stock Exchange**, now home to **Twitter**, **LinkedIn** and other high-profile Internet companies.