The Market Structure of US Pre-IPO Secondaries: Platforms, Brokers and Price Formation

How the private secondary market for late-stage US technology equity is actually organised: who sells, who buys, who sits in the middle, and how a price is reached on assets that do not trade on an exchange.

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June 2026

ABSTRACT

Abstract. The market for secondary transactions in privately held, late-stage United States technology companies has grown from an opportunistic, relationship-driven activity into a recognisable market with its own intermediaries, conventions and pricing logic. Yet it remains opaque to most allocators, including the sovereign wealth funds and family offices of the Gulf Cooperation Council that increasingly wish to hold these names before they list. This paper maps that market structure. It identifies the sources of supply, the categories of demand, and the two intermediation channels, platforms and brokers, that connect them. It then sets out how a price forms on an asset that does not trade on an exchange, working from the last primary round through comparable public multiples, disclosure, liquidity and the structural frictions that attach to any transfer. The paper compares the main access structures available to a buyer, from a direct share transfer to a multi-asset special purpose vehicle, and considers how a Gulf allocator should think about participation. The treatment is structural rather than promotional. All figures are stylised and clearly labelled as illustrative; they are intended to convey the mechanics of the market, not to forecast prices or returns. The paper offers no investment advice.

Keywords. pre-IPO secondaries, private market structure, price formation, special purpose vehicles, late-stage venture, GCC allocators, liquidity.

1. INTRODUCTION

A growing share of the value created by United States technology companies is now created before those companies reach a public market. Firms stay private for longer, raise larger sums in private rounds, and reach valuations once associated only with listed corporations while their shares remain untraded on any exchange. The consequence is a large and growing pool of equity that is economically significant but legally and practically illiquid. The secondary market for that equity, the set of arrangements through which existing holders sell to new buyers ahead of a listing, has grown in step.

For an allocator outside the United States, and in particular for the sovereign and family capital of the Gulf, the question is no longer whether to take an interest in these assets. Many already hold them, directly or through funds. The harder question is how the market that prices and transfers them actually works. It is a market without a central exchange, without continuous quotation, and without the disclosure regime that surrounds a listed share. It is intermediated in two quite different ways, by electronic platforms and by traditional brokers, and the price at which any given transaction clears is the product of several forces that are not visible on a screen.

This paper sets out to map that structure. It is written for the allocator who wants to understand the plumbing before committing capital: who is selling and why, who is buying, who sits in the middle, and how the two sides reach a price. The aim is orientation rather than advocacy. The paper does not argue that pre-IPO secondaries are a good or a bad place to deploy capital. It argues only that an allocator who understands the market structure will make better decisions within it than one who does not.

The paper proceeds as follows. Section 2 reviews the relevant literature on private market liquidity, secondary trading and price formation, and draws from it the propositions that organise the analysis. Section 3 sets out the descriptive framework used to map the market and states its assumptions plainly. Section 4 is the core of the paper: it describes the supply side, the demand side, the platform and broker channels, the mechanics of price formation, and the access structures available to a buyer, and it considers the position of a Gulf allocator. Section 5 offers a practical sequence for participation. Section 6 sets out the risks, caveats and limitations. Section 7 concludes. Three appendices provide the base-case assumptions behind the figures, a participation checklist, and a glossary.

A word on scope and tone is warranted at the outset. The market this paper describes is large, fast-moving and imperfectly documented. Much of what is known about it is held by participants who have an interest in how it is portrayed, and reliable public data on prices and volumes is scarce. The paper therefore makes a deliberate choice: it describes structure, which is stable and knowable, rather than levels, which are volatile and contested. The reader will find in these pages a careful account of how the market is organised and how a price forms within it, but no assertion that any particular price, discount or volume prevails. That choice is a strength rather than a limitation for the paper's purpose, which is to help an allocator understand a market well enough to participate in it intelligently, not to time it.

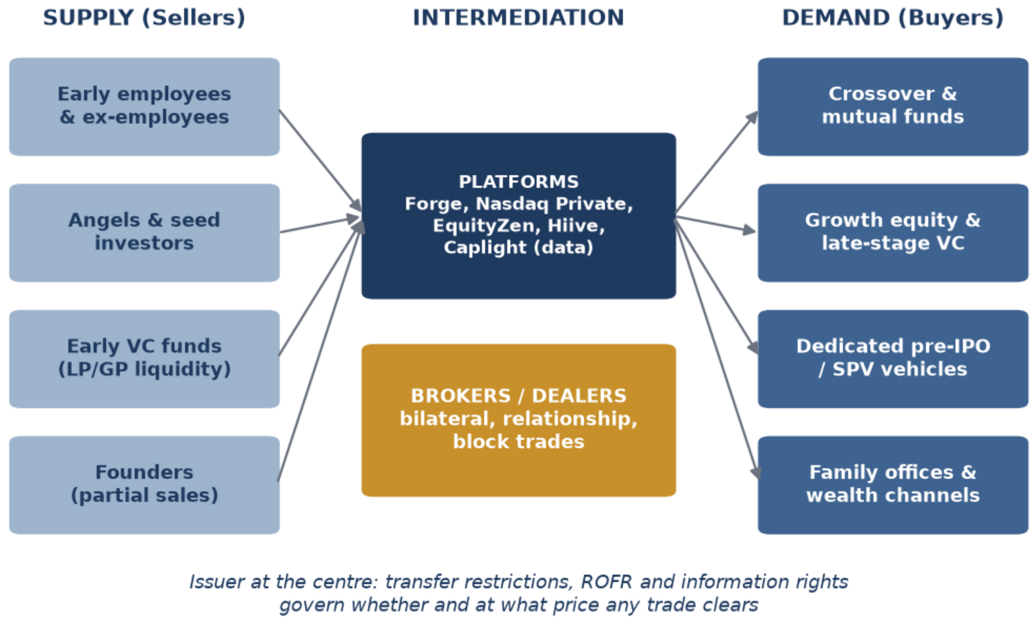

Figure 1. The market structure of US pre-IPO secondaries (illustrative schematic). Supply on the left, the two intermediation channels at the centre, demand on the right, with the issuer governing transfer.

2. LITERATURE AND PROPOSITIONS

The analysis draws on three strands of work: the literature on liquidity and illiquidity in private assets; the literature on the microstructure of markets that lack a central exchange; and the practitioner literature on secondary trading in venture and growth equity. This section reviews each briefly and states the propositions that follow.

2.1 Liquidity and the Private Equity Discount

A long line of work in financial economics treats liquidity as a priced characteristic of an asset rather than an incidental feature. Assets that cannot be sold quickly, cheaply and at a predictable price trade at a discount to otherwise identical liquid assets, and the size of that discount varies with market conditions. Private company shares sit at the illiquid extreme. They cannot be sold on demand, the universe of buyers is narrow, and the cost of effecting a sale, in time, fees and information gathering, is high. The secondary market exists precisely to reduce that cost, and the discount at which secondary transactions clear is, in part, the market price of the remaining illiquidity.

2.2 Market Microstructure Without an Exchange

The microstructure literature studies how prices form from the interaction of buyers, sellers and intermediaries, and how the design of a market affects the cost of trading. Most of that literature concerns exchange-traded or dealer-quoted instruments. Pre-IPO secondaries have neither continuous quotation nor a consolidated tape. Price discovery is episodic, occurring transaction by transaction, and information is distributed unevenly between the parties. The relevant lessons from microstructure are therefore about search costs, the role of intermediaries in matching counterparties, and the way that information asymmetry widens the spread between what a buyer will pay and what a seller will accept.

2.3 Secondary Trading in Venture and Growth Equity

A more recent practitioner literature describes the emergence of dedicated channels for trading private technology shares: electronic platforms that aggregate interest and standardise execution, specialist brokers who intermediate larger and more complex blocks, and data vendors who assemble indicative pricing from observed transactions. This work is largely descriptive and often produced by participants in the market. It is useful for understanding institutions and conventions, but it must be read with an awareness of the incentives of its authors. This paper draws on it for structure while keeping its claims about prices and volumes deliberately general and clearly labelled as illustrative.

2.4 Synthesis and Propositions

From these strands the paper takes four propositions that organise the analysis that follows.

- Proposition 1. The secondary market for pre-IPO equity is a search market, not a quotation market. Price discovery is episodic and depends on intermediaries to match counterparties who would otherwise not find one another.
- Proposition 2. The clearing price is anchored to the last primary round but adjusted for public comparables, disclosure, liquidity and the structural frictions of transfer. It is not simply the last round price.
- Proposition 3. The two intermediation channels, platforms and brokers, serve different segments. Platforms compress cost and widen access for smaller, more standard trades; brokers retain the advantage in large, complex or sensitive blocks.
- Proposition 4. For an allocator outside the United States, the choice of access structure, direct, single-asset vehicle, multi-asset vehicle or forward, materially affects net cost, control and risk, and should be made deliberately rather than by default.

3. FRAMEWORK AND METHODOLOGY

3.1 What the Framework Does

The paper uses a descriptive market-structure framework rather than an empirical dataset. It organises the market into supply, intermediation and demand, traces the path of a transaction from origination to settlement, and decomposes the clearing price into its component drivers. The framework is a lens for understanding mechanics. It is not a pricing model and it does not generate point estimates of value.

3.1a What the Framework Does Not Do

The framework does not forecast the price of any company, sector or transaction. It does not assert that any particular discount or spread prevails in the market at any time. Where numbers appear in the figures, they are stylised values chosen to make a structural point clear, and each figure is labelled as illustrative. The paper contains no investment advice and no recommendation to buy, sell or hold any asset.

3.2 Assumptions and Their Justification

Three assumptions underpin the discussion. First, that the last primary round price is the natural anchor for a secondary negotiation, because it is the most recent arm's length valuation event and is observable to both parties. Second, that disclosure reduces uncertainty and therefore compresses the spread between bid and ask, because better informed buyers require a smaller margin of safety. Third, that structural frictions, transfer restrictions, rights of first refusal, information rights and the fees attaching to pooled vehicles, are real costs that the clearing price must absorb. Each assumption is conventional and each is stated so that the reader can judge where it might not hold. The base-case values behind the figures are set out in Appendix A.

4. THE MARKET STRUCTURE

This section is the core of the paper. It describes the supply side, the demand side, the two intermediation channels, the mechanics of price formation and the access structures available to a buyer, and it considers the position of a Gulf allocator within the market.

4.1 The Supply Side: Who Sells and Why

Supply in the secondary market comes from holders who acquired their shares in the ordinary course of building or financing a company and who now wish, or need, to convert some of that holding into cash before a listing. Four groups dominate. Current and former employees hold shares or vested options and often face a personal liquidity need, a house, a tax bill on exercise, or simply the wish to diversify a concentrated position, that arrives long before the company lists. Early angels and seed investors hold positions that have appreciated substantially and may wish to realise part of the gain. Early-stage venture funds reach the end of their lives while their best companies are still private, and must return capital to their own investors. Founders, occasionally and usually with the company's blessing, sell a small part of their holding to take some risk off the table.

The common thread is that supply is driven by the circumstances of the seller rather than by a view that the asset is overvalued. This matters for the buyer, because it means that the existence of a willing seller is not, in itself, an adverse signal about the company. It also means that supply is uneven: it appears when a fund winds down, when employees vest, or when a tender is organised, rather than continuously.

It is worth pausing on why this market exists at all. In a frictionless world, an employee who wished to diversify or a fund that needed to return capital would simply sell shares as they would sell a listed stock. The private market denies them that option. Company shares carry transfer restrictions written into the constitutional documents and the shareholder agreements; the company often holds a right of first refusal and an information right; and there is no venue on which a willing buyer can be found at low cost. The secondary market is the set of institutions that has grown up to overcome those frictions, and each category of seller faces them differently. The departing employee faces them most acutely, because the employee typically has the least bargaining power, the least information about prevailing prices, and the most pressing personal need. The winding-down fund faces them as a matter of fiduciary obligation, because it must return capital to its own limited partners by a contractual date whether or not the underlying companies have listed. Understanding which kind of seller is on the other side of a transaction tells the buyer a great deal about the likely motivation, the likely urgency, and therefore the likely price.

Supply has also become more organised over time. Where once an employee wishing to sell had to find a buyer through personal contacts and negotiate without reference to any market price, there are now intermediaries whose business is to aggregate that supply, to standardise its documentation, and to bring it to a wider pool of buyers. The effect has been to broaden and regularise supply that was once sporadic and hidden, and to give sellers a clearer sense of the price at which they can realistically transact. This organisation of supply is one half of the structural change that has turned an opportunistic activity into a market; the organisation of demand, discussed next, is the other.

4.2 The Demand Side: Who Buys

Demand comes from investors who want exposure to a specific late-stage company before it lists and who are prepared to accept illiquidity to get it. Crossover and mutual funds buy to build a position they expect to hold through the listing and beyond. Growth equity and late-stage venture funds buy to add to or initiate positions in names they have conviction in. Dedicated pre-IPO vehicles, often structured as special purpose vehicles, are assembled specifically to hold one or several private names on behalf of a group of investors. Family offices and wealth channels buy for the same reasons as institutions but typically in smaller size and often through a vehicle that aggregates their commitments.

Demand, unlike supply, tends to concentrate on a relatively small set of marquee names, the companies whose listings are widely anticipated and whose stories are well known. This concentration is one reason that pricing for the best-known names is tighter and more observable than for the long tail of private companies, a point developed in the discussion of price formation below.

The motivation of the buyer differs by category in ways that shape the market. The crossover fund buys to establish a position it will carry into the public market, and is therefore relatively price-insensitive in the short term, because its horizon is the listing and beyond rather than the next quarter. The growth equity fund buys to express conviction in a name and will often take a large position, which makes it a natural client of the broker channel rather than the platform. The dedicated pre-IPO vehicle buys on behalf of a group of investors who lack the scale or access to participate individually, and its economics depend on assembling enough demand to make a vehicle worthwhile. The family office and wealth channel buys in smaller size and values access and convenience, which makes it the natural client of the platform and of the multi-asset vehicle. The structure of demand therefore maps onto the structure of intermediation: different buyers reach the market through different channels, and the channels have evolved to serve them.

A feature of demand that deserves emphasis is its sensitivity to the broader cycle. When public technology valuations are buoyant and listings are frequent, demand for pre-IPO exposure is strong and secondary prices firm, sometimes to the point where secondaries trade at or near the last round. When the public market cools and the listing window narrows, demand thins, the path to liquidity lengthens, and secondary prices fall to a discount that can be substantial. The market is, in this sense, procyclical: it is most liquid and most expensive precisely when caution is most warranted, and least liquid and cheapest when conviction is hardest to summon. An allocator that understands this will be wary of crowding into the market at its most buoyant and alert to the opportunity that its quieter periods can present.

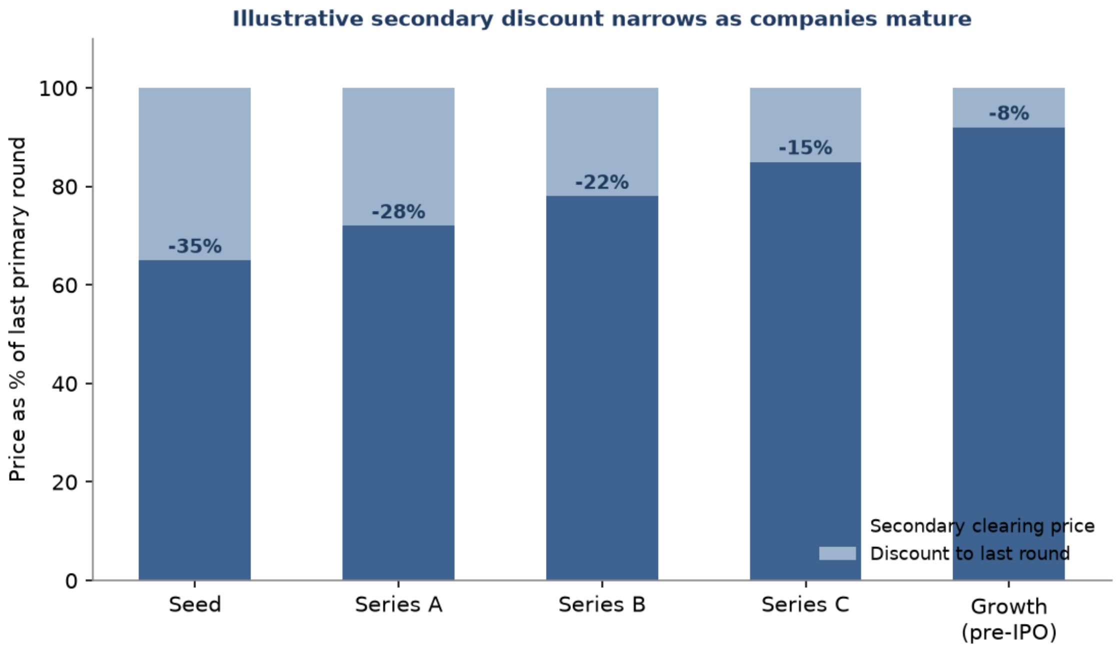

Figure 3. Illustrative secondary discount to the last primary round by company stage. The discount typically narrows as a company matures and information improves. Stylised values for exposition only.

4.3 The Intermediation Layer: Platforms

The first of the two intermediation channels is the electronic platform. Platforms emerged to reduce the search cost that has always characterised this market. They aggregate buy and sell interest, standardise the documentation of a transfer, and in some cases provide indicative pricing drawn from observed activity. A platform turns a market in which a buyer and a seller had to find one another through a chain of personal contacts into one in which interest can be posted and matched more efficiently. Several venues now occupy this space, and a parallel set of data vendors assembles pricing intelligence from transactions across the market.

The advantage of the platform channel is access and cost. For a smaller, more standard transaction, a platform compresses the time and expense of finding a counterparty and effecting a transfer. Its limitation is that the largest, most complex or most sensitive transactions, a substantial block, a transfer that requires careful handling of the company's consent, or a deal where confidentiality is paramount, often still move better through a broker.

Platforms also differ among themselves. Some operate principally as marketplaces that match buyers and sellers and earn a fee on completed transfers. Others function more as auction venues or as organisers of company-sponsored liquidity programmes. A distinct group are not trading venues at all but data businesses, assembling indicative pricing and transaction intelligence that the rest of the market uses to orient itself. The table below sets out the main categories of venue in stylised, non-exhaustive terms. It is intended to convey the shape of the landscape, not to rank or endorse any provider, and the named examples are illustrative of a category rather than a recommendation.

Category	What it does	Illustrative examples
Marketplace platform	Matches buy and sell interest in	Forge, EquityZen, Hiive

	individual names; standardises transfer documentation; earns a transaction fee.	
Auction / company programme	Runs structured liquidity events, often sponsored by the company, on standardised terms.	Nasdaq Private Market
Data and pricing vendor	Aggregates indicative pricing and transaction intelligence; does not itself execute trades.	Caplight and similar
Broker / dealer	Intermediates large and complex blocks bilaterally, relying on relationships and discretion.	Specialist secondary desks
Vehicle organiser	Assembles SPVs or funds to pool buyer demand into one or several private names.	Independent SPV sponsors

Table 1. Categories of intermediation venue in the US pre-IPO secondary market (illustrative and non-exhaustive). Named examples illustrate a category and are not a recommendation.

4.4 The Intermediation Layer: Brokers and Dealers

The second channel is the traditional broker or dealer. Brokers intermediate larger and more complex blocks, relying on relationships, market knowledge and the ability to manage a sensitive process discreetly. Where a platform standardises, a broker tailors. A broker can assemble a buyer for a large position that no single platform participant would absorb, can navigate the company's transfer restrictions and rights of first refusal, and can manage the information flow so that a transaction does not signal distress. The cost of this service is a commission, and the trade-off for the client is between the breadth and cost of a platform and the depth and discretion of a broker.

The two channels are not in simple competition. They segment the market. Figure 4 conveys, in stylised terms, the broad direction of travel: platforms have taken a growing share of the more standard flow, while brokers retain the large and complex end. The figure is illustrative and is not a measurement of market shares.

The broker's value is clearest in the transactions that platforms handle least well. Consider a fund that needs to sell a large position in a single private company as it winds down. The position is too big for any one platform participant to absorb; the sale, if it became known, might be read by the market as a signal of distress and depress the price; and the transfer requires the company's consent and the careful management of its right of first refusal. A broker can run this as a discreet, managed process: identifying a small number of credible buyers, controlling the flow of information so that the sale does not signal weakness, assembling the demand to clear the whole position, and shepherding the transfer through the company's consent machinery. None of this is well suited to an open marketplace. The broker earns its commission precisely by doing what a platform cannot.

It follows that the rise of platforms has not displaced brokers but reshaped the boundary between them. As platforms have absorbed the standard flow, brokers have concentrated on the segment where their relationships and discretion are decisive. The likely long-run equilibrium is not the disappearance of either channel but a stable division of labour, with platforms serving breadth and brokers serving depth. An allocator should understand both, and should choose between them on the merits of each particular transaction rather than from habit.

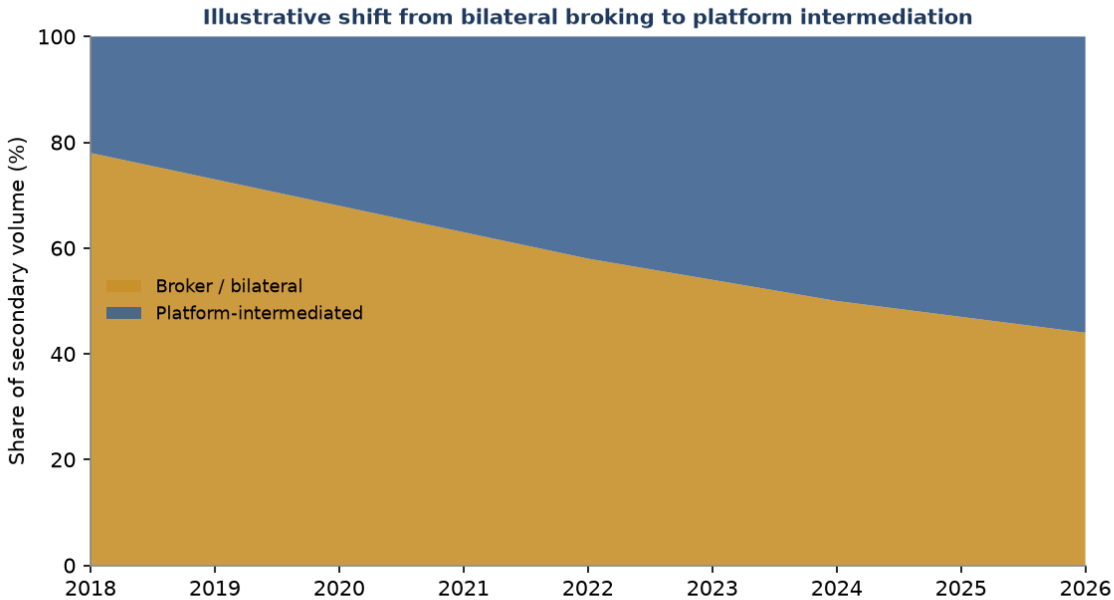

Figure 4. Illustrative evolution of intermediation channels over time, showing a stylised shift from bilateral broking towards platform intermediation. Not a measurement of actual market shares.

4.5 Price Formation

The central analytical question of this paper is how a price forms on an asset that does not trade on an exchange. The answer is that the price is built up from several inputs, each of which adjusts a starting anchor. Figure 2 sets out the logic.

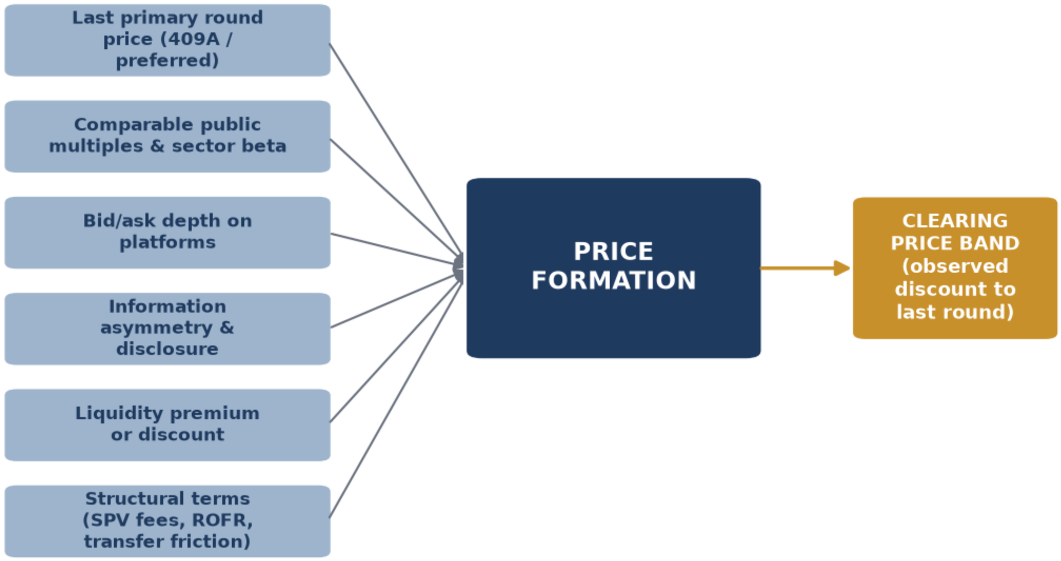

Figure 2. Illustrative price-formation logic. The clearing price is anchored to the last primary round and adjusted for the inputs shown, producing a band rather than a single point.

The anchor is the last primary round price, the most recent valuation at which the company raised capital from new investors. It is the natural reference point because it is the most recent arm's length event and is observable to both sides of a secondary negotiation. From that anchor the price is adjusted. Comparable public multiples and sector beta pull the figure towards what the public market would pay for similar growth and profitability. The depth of bid and ask interest on platforms indicates whether there is competition for the shares. The quality of information available to the buyer matters greatly: where a company discloses little, the buyer demands a wider margin and the spread is large; where coverage is good, the spread tightens. A liquidity premium or discount reflects how easily the buyer expects to exit. Finally, the structural terms of the transaction, the fees of any pooled vehicle, the friction of transfer restrictions and rights of first refusal, are absorbed into the net price the buyer is prepared to pay.

The result is not a single number but a band. The width of that band is itself informative: a wide band signals an opaque, thinly traded name, and a narrow band signals a well-covered one. Figure 7 makes the relationship between disclosure and spread explicit in stylised form.

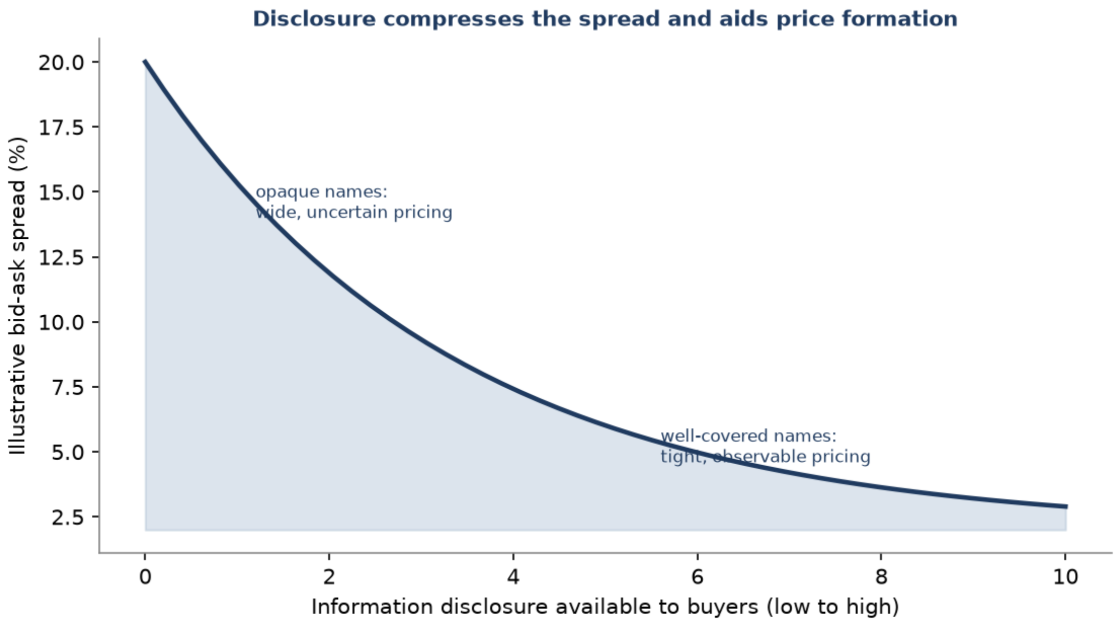

Figure 7. Illustrative relationship between the information available to buyers and the bid-ask spread. Better disclosure compresses the spread and improves price formation. Stylised for exposition.

Two features of this process deserve emphasis. First, the last round price is an anchor, not a floor. In weaker conditions secondaries clear at a discount to the last round, and that discount is wider for less mature and less transparent companies, as Figure 3 conveys. Second, the price a buyer pays through a pooled vehicle is not the price of the underlying shares; it is that price plus the cost of the structure. An allocator who compares headline prices without adjusting for structure will mis-measure what it is paying.

It is worth being precise about the role of the last round price, because it is easily misunderstood. A primary round is priced to issue new shares, and the price reflects not only the company's prospects but the rights attaching to the new shares: preferences, anti-dilution provisions and liquidation rights that ordinary shares, which is what most secondaries transfer, do not carry. A secondary in ordinary shares is therefore not strictly comparable to the last preferred round, and a sophisticated buyer adjusts for the difference in rights as well as for the passage of time and the change in conditions. The headline that a secondary cleared at a given discount to the last round can thus overstate or understate the true economic discount, depending on the seniority of the shares involved. This is one of several respects in which the apparent simplicity of an anchored price conceals real complexity, and in which an allocator who looks only at the headline will be misled.

A further subtlety concerns the quality of the comparable public multiples used to adjust the anchor. The private company is, by definition, not yet listed, and the public companies against which it is benchmarked differ from it in maturity, profitability and disclosure. The buyer must choose comparables with care and apply judgement to the adjustment, because a naive application of public multiples to a private company can produce a price that is precise but wrong. The discipline of price formation in this market is therefore as much about judgement as about arithmetic, and the figures in this paper, which strip out that judgement to expose the underlying logic, should be read with that in mind.

4.5a The Role of Data and Transparency

Underlying the whole question of price formation is the availability of data, and here the market has changed markedly. A decade ago, an interested buyer had little to go on beyond the last round price and whatever it could learn through its own network. Today a layer of data vendors assembles indicative pricing from observed transactions and platform activity, and publishes it to subscribers. This has not made the market transparent in the way that a public market is transparent, because the data is indicative rather than firm, partial rather than comprehensive, and lagged rather than live. But it has narrowed the gap. A buyer entering the market today can form a more reasoned view of where a name is trading than one could a decade ago, and the spread between bid and ask has, for the better-covered names, compressed accordingly.

The asymmetry that remains is between the buyer and the company. The company knows its own forecasts, its pipeline and its plans; the secondary buyer knows only what it can observe and what it is told. This is the irreducible core of the information problem in this market, and no amount of pricing data resolves it. It is why the discount for the least transparent names remains wide, why disclosure compresses the spread as Figure 7 shows, and why a buyer should treat a wide spread not as an opportunity to be seized but as a warning that it knows less than it would wish. The growth of the data layer has improved the market at its well-covered centre while leaving its opaque edges much as they were.

4.6 Access Structures

A buyer can gain exposure through several structures, and the choice among them affects cost, control and risk. A direct share transfer gives the buyer the shares themselves, with the lowest fee load but the greatest demand on the buyer to negotiate transfer consents and conduct its own diligence. A single-asset special purpose vehicle holds one company on behalf of a group of investors, spreading cost but adding a layer of fees and an intermediary between the investor and the share. A multi-asset vehicle or fund pools several names, offering diversification and ease of access at a higher cost. A forward or synthetic arrangement provides economic exposure without an immediate transfer of title, useful where a direct transfer is restricted but carrying counterparty and enforceability considerations. A company-run tender offer, where the issuer itself organises a liquidity event, offers the cleanest access of all but is available only when the company chooses to run one. Figure 5 positions these structures by cost and access.

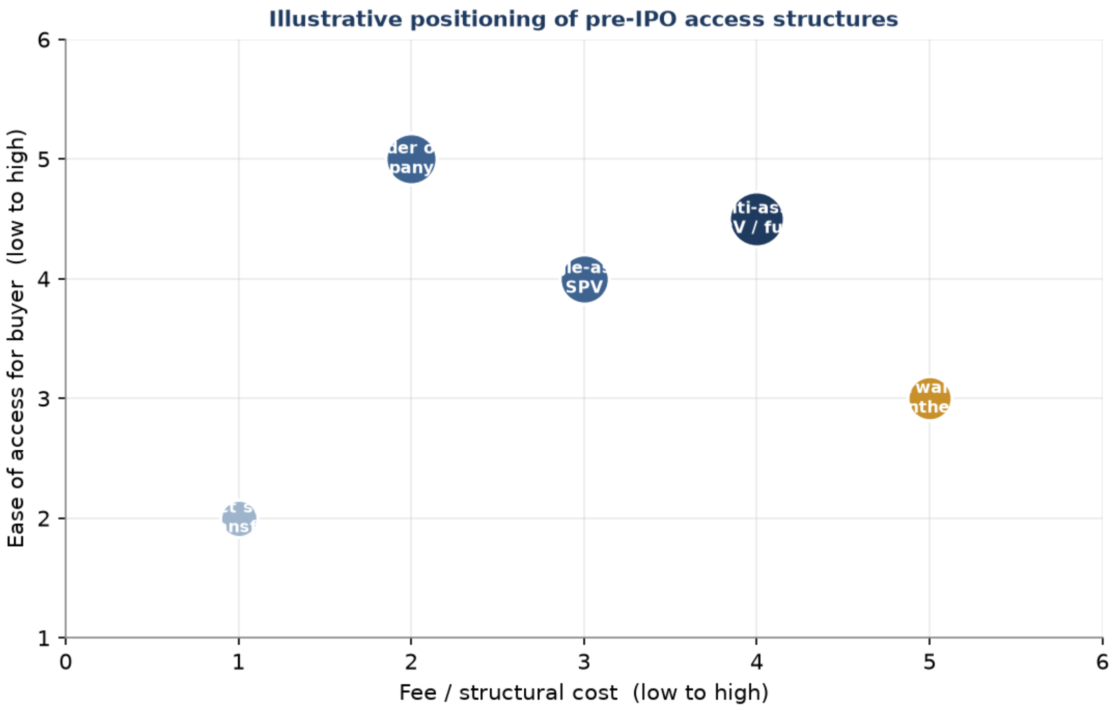

Figure 5. Illustrative positioning of pre-IPO access structures by structural cost and ease of access for the buyer. Stylised; the right choice depends on the specific transaction.

No structure is best in the abstract. The direct transfer minimises fees but maximises the buyer's own workload and is hard to arrange in size. The pooled vehicle eases access at the cost of fees and a layer of remove from the asset. The forward solves a transfer-restriction problem but introduces counterparty risk. The right choice depends on the size of the intended position, the buyer's appetite for process, and the friction attaching to the specific company's shares.

The fees attaching to a pooled vehicle deserve particular scrutiny, because they are where the gap between the headline price and the all-in cost most often hides. A vehicle typically charges a management fee and may charge a performance fee or carried interest, and it may also pass through its own costs of formation and administration. Layered onto the price of the underlying shares, these can materially reduce the net return to the ultimate investor, and in a multi-asset vehicle the investor may also be paying for exposure to names it would not have chosen on its own. None of this makes the vehicle route wrong; for an investor that lacks the scale or the access to transact directly, a well-governed vehicle may be the only practical way in. But the investor must measure the all-in cost and satisfy itself on the governance of the vehicle, the rights it confers, the alignment of the sponsor, and the terms on which it can exit, before it commits. A vehicle is an investment in a structure as much as in an asset.

The forward or synthetic route warrants its own caution. Where the company's shares cannot lawfully be transferred, an arrangement that gives the buyer the economic return on the shares without transferring title can seem an elegant solution. But it substitutes the credit of the counterparty for ownership of the asset: if the counterparty fails, the buyer may be left with a claim rather than a share. It may also run against the spirit, and sometimes the letter, of the transfer restrictions it is designed to circumvent, with consequences for enforceability that the buyer must understand before relying on the structure. The forward is a tool for a specific problem, not a general-purpose route, and it should be used only with clear advice on its enforceability and its risks.

4.7 The Gulf Allocator's Position

For an allocator in the Gulf Cooperation Council, the secondary market is the natural route to holding US late-stage technology names ahead of a listing. Sovereign wealth funds and large family offices in the region have both the scale and the dollar-denominated capital to participate, and the dollar pegs of the Gulf currencies remove the currency mismatch that would otherwise complicate a US dollar position. The practical question for such an allocator is one of access: reaching the right names, at the right size, through a structure that controls cost and risk. Figure 6 shows, in schematic form, how Gulf capital reaches these assets through the access layer of brokers, platforms and general partner relationships.

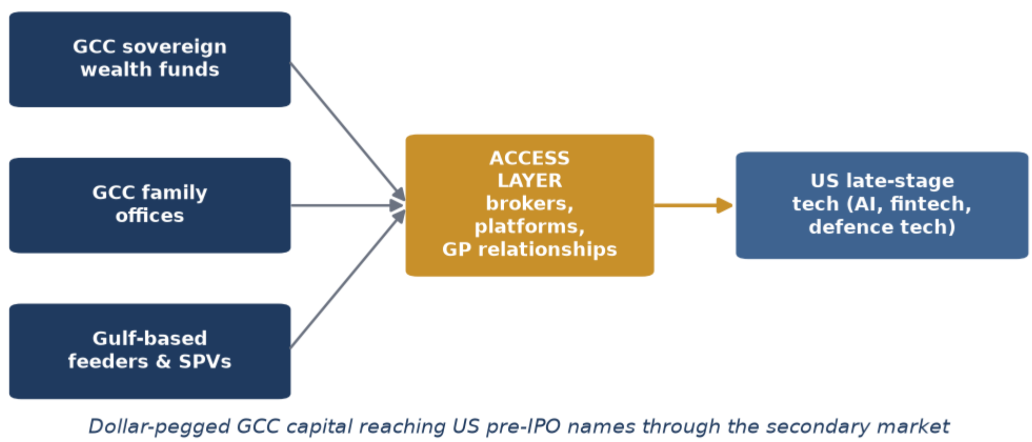

Figure 6. Illustrative routes by which GCC capital reaches US pre-IPO technology names through the secondary access layer. Schematic only.

Three considerations are particular to the Gulf allocator. The first is sourcing: the best names are competed for, and access often depends on relationships with the brokers, platforms and general partners who see flow first. The second is structure: a Gulf allocator buying through a vehicle must understand the fee load and the governance of that vehicle, because these determine the net price and the rights attaching to the position. The third is alignment with the wider portfolio: a pre-IPO secondary holding is illiquid and concentrated, and should be sized and held in a way that fits the allocator's broader liquidity and risk framework rather than treated in isolation.

There is a fourth consideration that is structural rather than transactional. The largest Gulf institutions have, in recent years, moved from being passive buyers of access assembled by others to being principals who can command that access on their own terms. An institution that writes large cheques and is a reliable closer of transactions becomes a counterparty that brokers and general partners want to show flow to, and over time it can negotiate the co-investment rights and the fee terms that smaller buyers cannot. The implication for a Gulf allocator building a programme in this market is that scale and reliability are themselves a form of access: the institution that establishes a reputation as a serious, decisive participant will, over time, see better opportunities at better terms than one that approaches the market opportunistically. Building that reputation is a deliberate exercise, and it is part of what it means to participate in this market seriously rather than incidentally.

4.8 Settlement and the Life of a Position

A feature of the market that receives less attention than pricing, but that matters greatly in practice, is settlement. Unlike a public-market trade, which settles in a standardised way within a fixed and short window, a private secondary settles only when the company's consent is obtained, its right of first refusal has lapsed or been waived, and the transfer has been recorded on the company's register. This process can take weeks, and occasionally months, and it can fail. A right of first refusal may be exercised, leaving the buyer with nothing; a consent may be withheld; a condition may go unmet. The gap between agreeing a price and owning the share is a real risk, and a buyer that has not understood the company's transfer machinery may find a transaction it considered done unravelling at the last step.

Once a position settles, it enters a life that is different from that of a listed holding. There is no continuous price, so the position must be marked using judgement, typically by reference to the last round, subsequent funding events and public comparables, with appropriate conservatism for its illiquidity. There is no daily liquidity, so the position cannot be trimmed or exited at will; the buyer holds until a listing, a sale or a further secondary provides an exit. And there is limited ongoing information, so the buyer monitors the company through whatever channels its rights and relationships afford. A pre-IPO secondary is therefore not only a transaction but a commitment, and an allocator should enter it understanding the obligations of holding as well as the mechanics of buying.

5. A PRACTICAL SEQUENCE FOR PARTICIPATION

This section sets out a practical sequence for an allocator deciding to participate in the secondary market. It is a description of how a disciplined buyer proceeds, not a recommendation to transact. Figure 8 summarises the sequence.

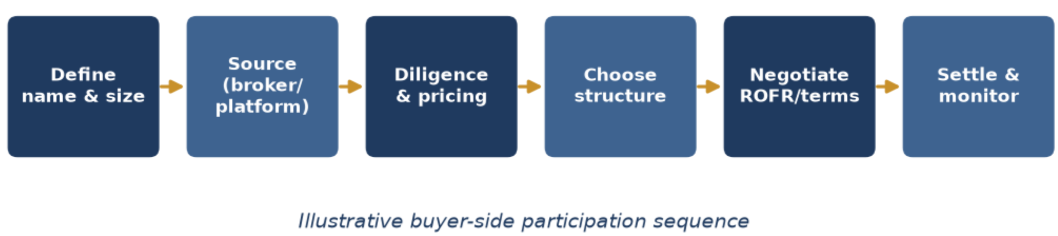

Figure 8. Illustrative buyer-side participation sequence, from defining the target name and size through to settlement and ongoing monitoring. Stylised process map.

5.1 Define the Target and the Size

The first step is to decide which company, or set of companies, the allocator wishes to hold and in what size. This is a portfolio decision rather than a market one, and it should be made before any approach to the market, so that the search is disciplined and the allocator is not drawn into whatever happens to be available.

5.2 Source Through the Right Channel

With a target defined, the allocator sources the position through the channel best suited to its size and complexity: a platform for a smaller, more standard line, a broker for a larger or more sensitive block. Sourcing is where relationships matter most, because the best opportunities are seldom advertised widely.

5.3 Diligence and Pricing

The allocator then conducts diligence to the extent the available information allows and forms its own view of price. The anchor is the last round, adjusted as Section 4.5 describes. The allocator should price the position itself rather than accept a quoted figure, and should treat a wide bid-ask spread as a signal that information is scarce and caution is warranted.

5.4 Choose the Structure

Having priced the underlying, the allocator chooses the access structure, weighing the fee load, the degree of control and the friction of transfer as set out in Section 4.6. The headline price of the shares and the all-in cost of the chosen structure are different numbers, and the decision should be made on the latter.

5.5 Negotiate Terms and Manage Consents

The allocator then negotiates the terms of the transfer and manages the company's consent, its rights of first refusal and any information rights. This is the step at which a broker's experience is most valuable for a large or complex block, and at which an inexperienced buyer most often stumbles.

5.6 Settle and Monitor

Finally the transaction settles and the position enters the portfolio, where it must be monitored like any other holding: tracked against the company's progress towards a listing, marked with appropriate conservatism given its illiquidity, and reviewed against the allocator's wider liquidity needs.

5.7 Common Pitfalls

Three pitfalls recur. The first is buying what is available rather than what is wanted, allowing the market's supply to dictate the portfolio. The second is comparing headline prices across structures without adjusting for the fees and frictions embedded in each. The third is underestimating the time and effort of managing transfer consents, which can delay or derail a transaction that looked straightforward on paper. The sequence above is designed to guard against each.

6. RISKS, CAVEATS AND LIMITATIONS

6.1 The Limits of an Illustrative Framework

This paper is a description of market structure, not a measurement of it. The figures are stylised and labelled as illustrative. They are intended to convey mechanics, the direction of a relationship, the logic of a price, the segmentation of a market, and not to state the level of any price, discount or spread at any time. A reader who takes a stylised figure as a measurement will mis-read it.

6.2 Market and Liquidity Risks

Pre-IPO secondary positions are illiquid and concentrated. The buyer may be unable to exit when it wishes, the path to a listing may lengthen or close, and the value of the position may fall sharply if conditions deteriorate or the company underperforms. The secondary market itself is thinner and more episodic than a public market, and a position that was easy to acquire in benign conditions may be hard to sell in poor ones.

6.3 Information and Execution Risks

The buyer in a secondary transaction usually has less information than the company's primary investors and far less than a public-market participant. This asymmetry is the central execution risk: the buyer may misjudge value because it cannot see what an insider sees. Execution also carries the risk that a transfer fails on consent, that a right of first refusal is exercised, or that a counterparty in a synthetic arrangement does not perform.

6.4 Structural and Governance Risks

Pooled vehicles introduce fees, governance arrangements and a layer of remove between the investor and the underlying share. A buyer who does not understand the vehicle it is investing through may pay more than it realises and hold fewer rights than it expects. The terms of the structure, not only the price of the underlying, determine the quality of the investment.

6.5 Scope

The paper concerns the market structure of US pre-IPO secondaries as a general matter. It does not analyse any specific company, platform, broker or vehicle, and nothing in it should be read as a view on any of them. It offers no investment, legal, tax or regulatory advice. An allocator considering a transaction should take its own professional advice on the specific facts.

7. CONCLUSION

The secondary market for US pre-IPO technology equity has matured into a recognisable market with its own intermediaries, conventions and pricing logic. It is a search market rather than a quotation market: prices form transaction by transaction, anchored to the last primary round and adjusted for public comparables, disclosure, liquidity and the structural frictions of transfer. It is intermediated in two complementary ways, by platforms that compress cost for standard flow and by brokers who retain the large and complex end, and a buyer can access it through a range of structures that trade cost against control and reach.

For an allocator in the Gulf, the market is the natural route to holding these assets before they list, and the region's scale and dollar-denominated capital make participation feasible. The discipline that participation requires is the same as in any illiquid market: define the target before approaching the market, price the underlying independently of the structure, choose the structure deliberately, and size and monitor the position within the wider portfolio. An allocator who understands the structure mapped in this paper will navigate the market more surely than one who does not. The paper makes no claim beyond that, and offers no investment advice.

Three observations may serve to close. The first is that this is a market defined by its frictions. The transfer restrictions, the rights of first refusal, the information asymmetry and the absence of continuous pricing are not incidental nuisances but the defining features that the market's institutions exist to manage. An allocator who understands the frictions understands the market. The second is that structure and price are inseparable: the price of the underlying share and the cost of the route by which one holds it are two parts of a single decision, and to attend to one without the other is to misjudge the whole. The third is that the market rewards preparation. The allocator that defines its target, builds its relationships, prices independently and chooses its structure with care will participate on far better terms than the one that reacts to whatever the market presents. None of these observations is a recommendation to transact. They are an account of what intelligent participation in this market requires, offered so that an allocator may decide for itself, with its own advisers, whether and how to proceed.

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ABOUT THE AUTHOR

Chennakeshav (CK) Adya is an independent researcher writing on private markets, alternative assets and capital formation, with a particular interest in how capital is sourced, structured and priced across the Gulf and international markets. This paper is part of a continuing series on the structure of private and alternative markets. The views expressed are the author's own. The paper is for information only, describes market structure in general terms, and does not constitute investment, legal, tax or regulatory advice or a recommendation in respect of any security, vehicle or counterparty.

APPENDIX A. BASE-CASE ASSUMPTIONS FOR THE ILLUSTRATIVE FIGURES

The figures in this paper are stylised. The values below are the base-case assumptions used to draw them. They are chosen to make a structural point clear and are not estimates of any actual market quantity.

Assumption	Basis
Anchor for price formation	Last primary round price, treated as the most recent arm's length reference
Discount by stage (Fig. 3)	Wider for earlier stages, narrowing as the company matures and disclosure improves
Channel mix over time (Fig. 4)	Stylised shift towards platform intermediation; not a measurement of market shares
Disclosure and spread (Fig. 7)	Spread modelled as decreasing with the level of information available to buyers
Access structures (Fig. 5)	Positioned by relative fee load and relative ease of access, not by absolute cost
GCC routing (Fig. 6)	Schematic flow through brokers, platforms and GP relationships; no quantities implied

APPENDIX B. PARTICIPATION CHECKLIST

A short checklist for an allocator considering participation in the secondary market. It is a prompt for diligence, not advice to transact.

- Have we defined the target name and size before approaching the market, rather than reacting to what is available?
- Have we chosen the sourcing channel, platform or broker, appropriate to the size and complexity of the position?
- Have we priced the underlying ourselves, anchored to the last round and adjusted for comparables, disclosure and liquidity?
- Have we measured the all-in cost of the access structure, not only the headline price of the shares?
- Do we understand the transfer restrictions, rights of first refusal and information rights attaching to the shares?
- Have we sized the position within our wider liquidity and risk framework rather than in isolation?

- Have we taken our own legal, tax and regulatory advice on the specific transaction?

APPENDIX C. GLOSSARY OF KEY TERMS

Pre-IPO secondary. A transaction in which an existing holder of a private company's shares sells them to a new buyer before the company lists.

Primary round. An issuance of new shares by the company itself to raise capital, the most recent of which anchors secondary pricing.

Special purpose vehicle (SPV). An entity formed to hold one or more private positions on behalf of a group of investors.

Right of first refusal (ROFR). A right, often held by the company or its investors, to match the terms of a proposed transfer before it proceeds.

Bid-ask spread. The gap between the price a buyer will pay and the price a seller will accept; wider where information is scarce.

Forward / synthetic. An arrangement giving economic exposure to a private share without an immediate transfer of legal title.

Tender offer. A liquidity event organised by the company itself, in which holders may sell shares on standardised terms.

Crossover investor. An investor that buys a position while a company is private and intends to hold it through and beyond the listing.