

FINRA approves Palico as first and only ETS to execute LP-led PE secondaries transactions

NEW YORK, UNITED STATES , July 31, 2024 /EINPresswire.com/ -- Palico, a leading digital secondaries platform that facilitates the buying and selling of smaller private capital fund stakes, has received regulatory approval from the Financial Industry Regulatory Authority (FINRA) to become the first and only electronic trading system (ETS) for LP-led secondary transactions. With this authorisation, US entities will be able to execute the buying and selling of private equity fund interests on a secondary basis. Palico will now develop its platform to allow the execution of end-to-end LP-led secondary deals for launch by the end of summer.

FINRA is the US-authorized body which aims to protect investors by regulating the broker-dealer industry to make sure it operates fairly.

The approval of Palico as an ETS highlights the firm's growing leadership in the PE secondary space. With the authorisation by FINRA, Palico is expected to attract more LPs, GPs and new investors to the secondary industry. Since Palico focuses on smaller to medium-stake transactions, the influx of LPs and GPs is likely to include new entrants to the sector, particularly Family Offices, High-Net-Worth Individuals, Endowments, Foundations, Pensions and corporates with smaller lines to divest. A key driver is that smaller to medium-stakes are underserved by existing traditional broker models.

Amid ongoing exit challenges in global private markets, with reduced M&As and IPOs, the approval of Palico by FINRA represents a timely decision. LPs are increasingly turning to secondary markets to generate liquidity. The first half of 2024 saw a 73% year-over-year increase in secondaries volume compared to H1 2023, reaching \$73bn from \$42bn. Historically, higher volumes occur in the second half of the year, supporting projections of \$125bn-\$140bn for 2024 as predicted by the likes of PJT Partners and Campbell Lutyens.

LP-led transactions accounted for 57% of H1 activity, totalling \$41bn—the highest H1 volume ever for this deal type, according to Evercore. The influx of new sellers continues to fuel the LP-led side of the market and as an ETS, Palico promises to create a new channel through which LP-led secondary transactions can be undertaken and capital released. In 2024 so far, 50% of sellers on the Palico platform were first-time sellers. This is up from 37% in 2023, highlighting the growing sector interest. With this increasing number of LPs approaching the market, Palico's authorization to complete end-to-end LP-led secondary transactions is set to further streamline secondary transactions and support the unique needs of LPs.

Antoine Dréan, Chairman of Palico said, "We are delighted - being approved by FINRA as the first ETS for LP-led secondary transactions marks a key moment in the growth of the industry and increases investor confidence. Given that liquidity remains a concern for many investors in global markets, we are especially pleased to encourage capital movements by functioning as an ETS. With our focus on smaller-stake transactions, being able to offer an end-to-end trading facility removes friction for buyers and sellers. We expect that this will increase market activity amongst smaller-stake LPs and encourage more investors to enter the market."

Christopher Jeffery, General Manager of Palico SAS said, "The secondary market is growing very rapidly, and we are pleased to be at the forefront of this growth. The entire industry must do more to develop the necessary infrastructure to increase capital flows. At Palico we are leading this infrastructure development and aiming to be as convenient as possible for LPs and GPs to use. Palico's approval as an ETS represents a major step forward for us and the entire industry."

-ENDS-

Notes to editors

About Palico

Palico is the leading online secondary ETS for buying and selling smaller private capital fund stakes having built a bespoke online tool that standardizes and streamlines this process for investors looking to buy and sell positions across all strategies and regions.

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