

The background of the slide is a photograph of a Cornell University building, specifically the clock tower, with a view of the lake and hills in the distance. A horizontal red line is positioned above the text.

Maureen O'Hara Financial Advisory Board Meeting



Cornell
SC Johnson College of Business



An Evolving U.S. Equity Market

- Public vs Private transition
 - 1996 - 7300 U.S. publicly listed firms/ 2025- 3699 listed firms
 - 1996 – 1900 private firms/ 2025 – 11, 2000
- “Darkness prevails”
- Market impacts

A U.S. phenomena

(Doidge, Karolyi, Shen, Stulz 2025)

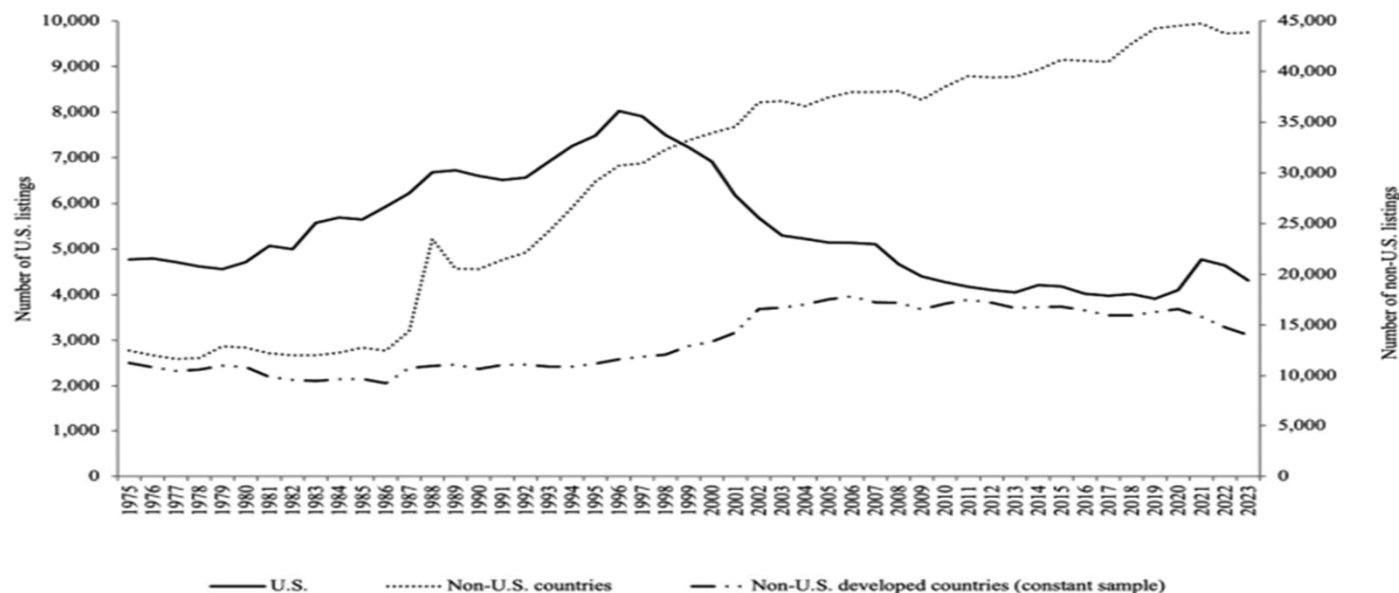


FIGURE 1 Listing counts for the US and for non-US countries. This figure shows the number of domestic, publicly listed firms in the US and in non-US countries from 1975 to 2023. Listing counts are from the WDI and WFE databases. Investment companies, mutual funds, REITs, and other collective investment vehicles are excluded. The set of non-US countries comprises the 71 countries included in Djankov et al. (2008). Countries are classified as developed based on the MSCI classification scheme as of 2014. There are 13 non-US developed countries in the constant sample.

Lots of firms leaving, not so many coming

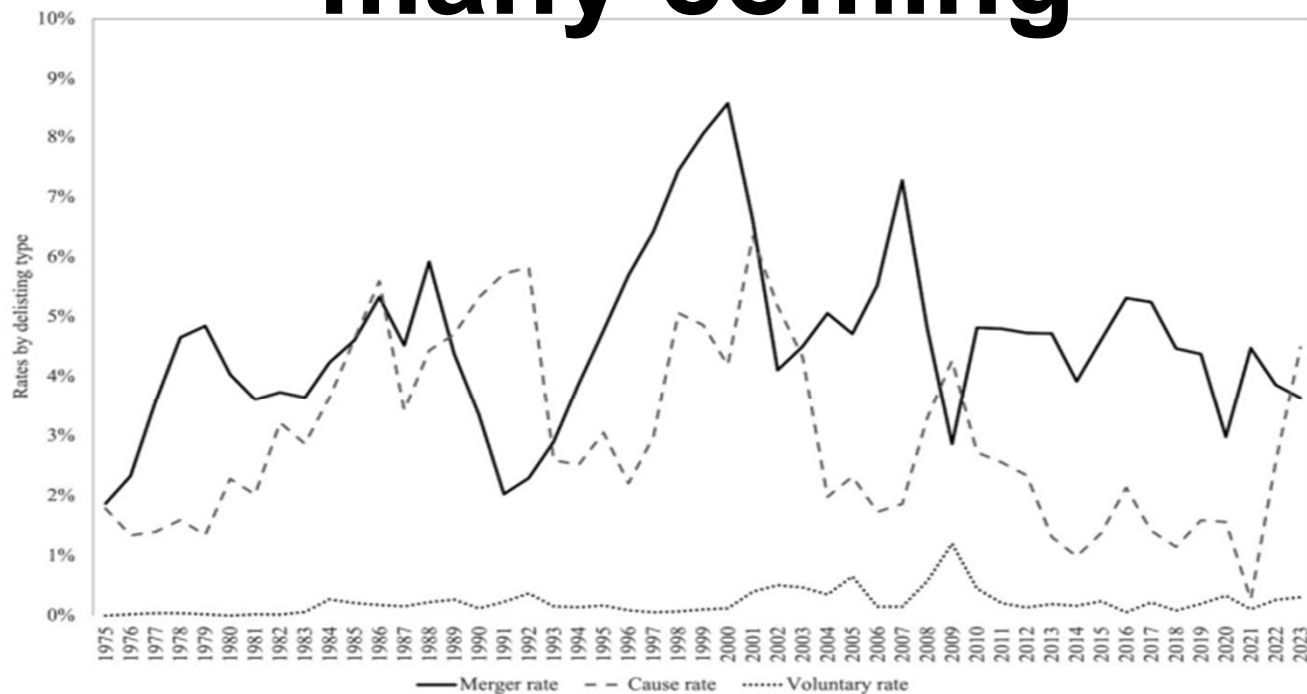


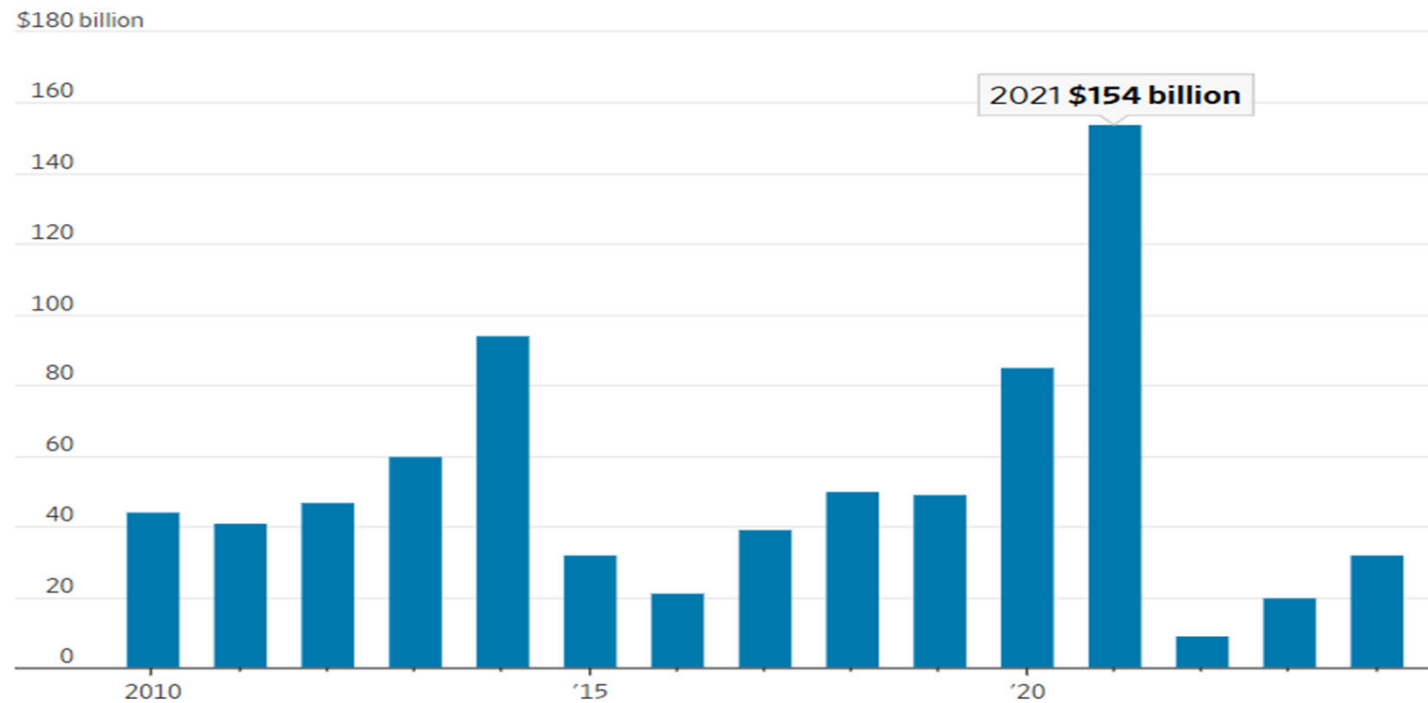
FIGURE 4 The US merger rate, delist for cause rate, and voluntary delist rate. This figure shows the US delist rate each year from 1975 to 2023 by three categories: merger, cause, and voluntary. Data for delists are from CRSP. The

Doidge, Karolyi, Shen, Stulz 2025

IPOs just not the answer for many private firms

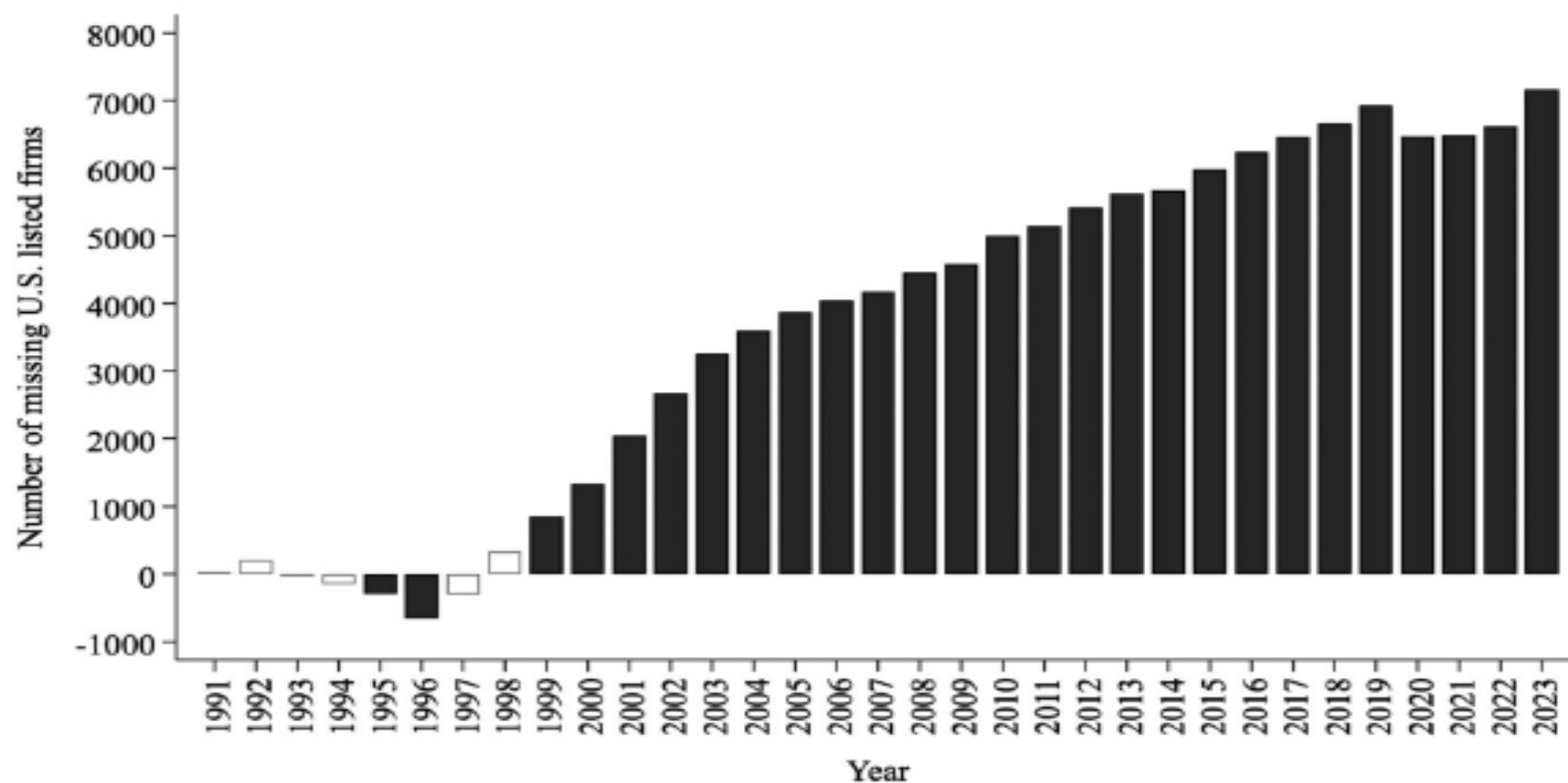
(Doidge, Karolyi, Shen, Stulz 2025)

IPO deal value by year



US Listings Gap

Doidge, Karolyi, Shen, Stulz 2025

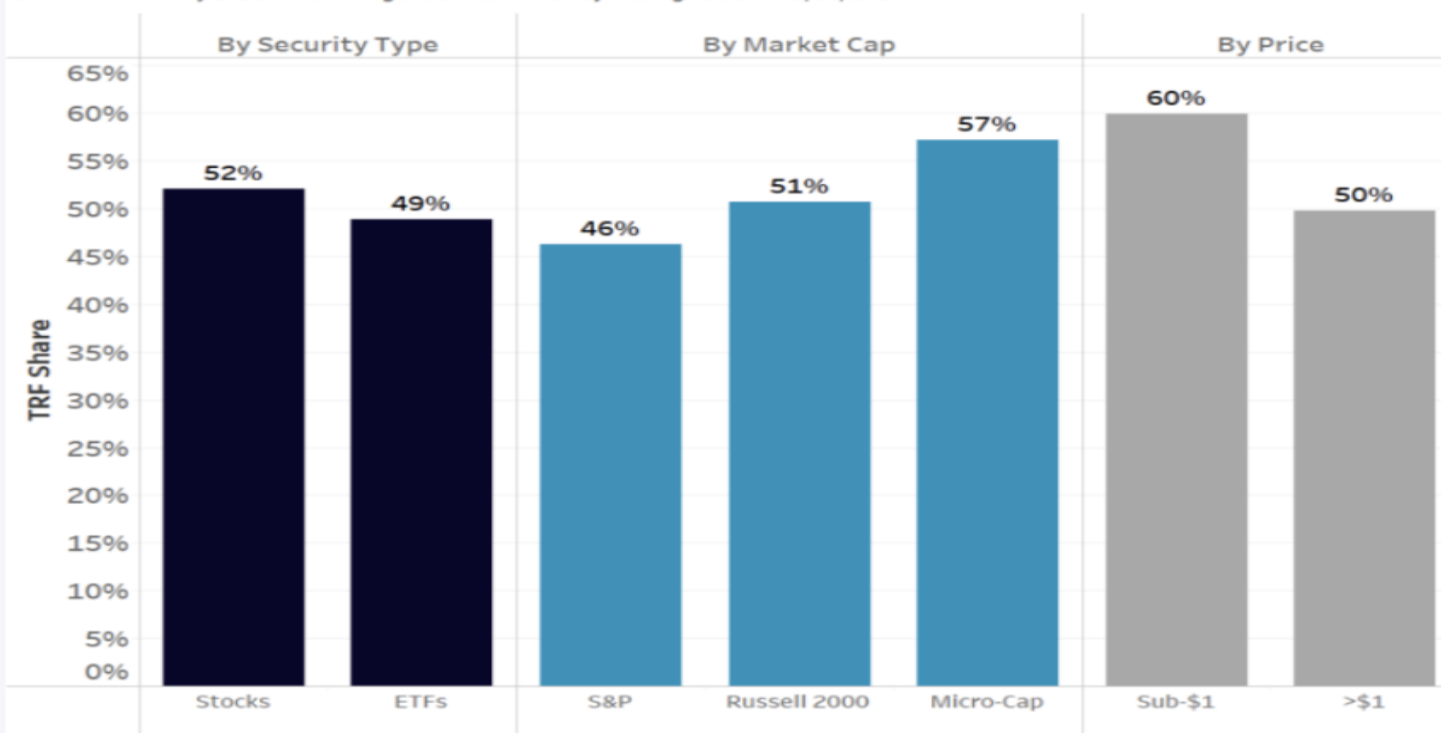


Darkness prevails

Chart 1: Off-exchange share has risen across all groups of stock since 2019

TRF Share by Class of Symbol

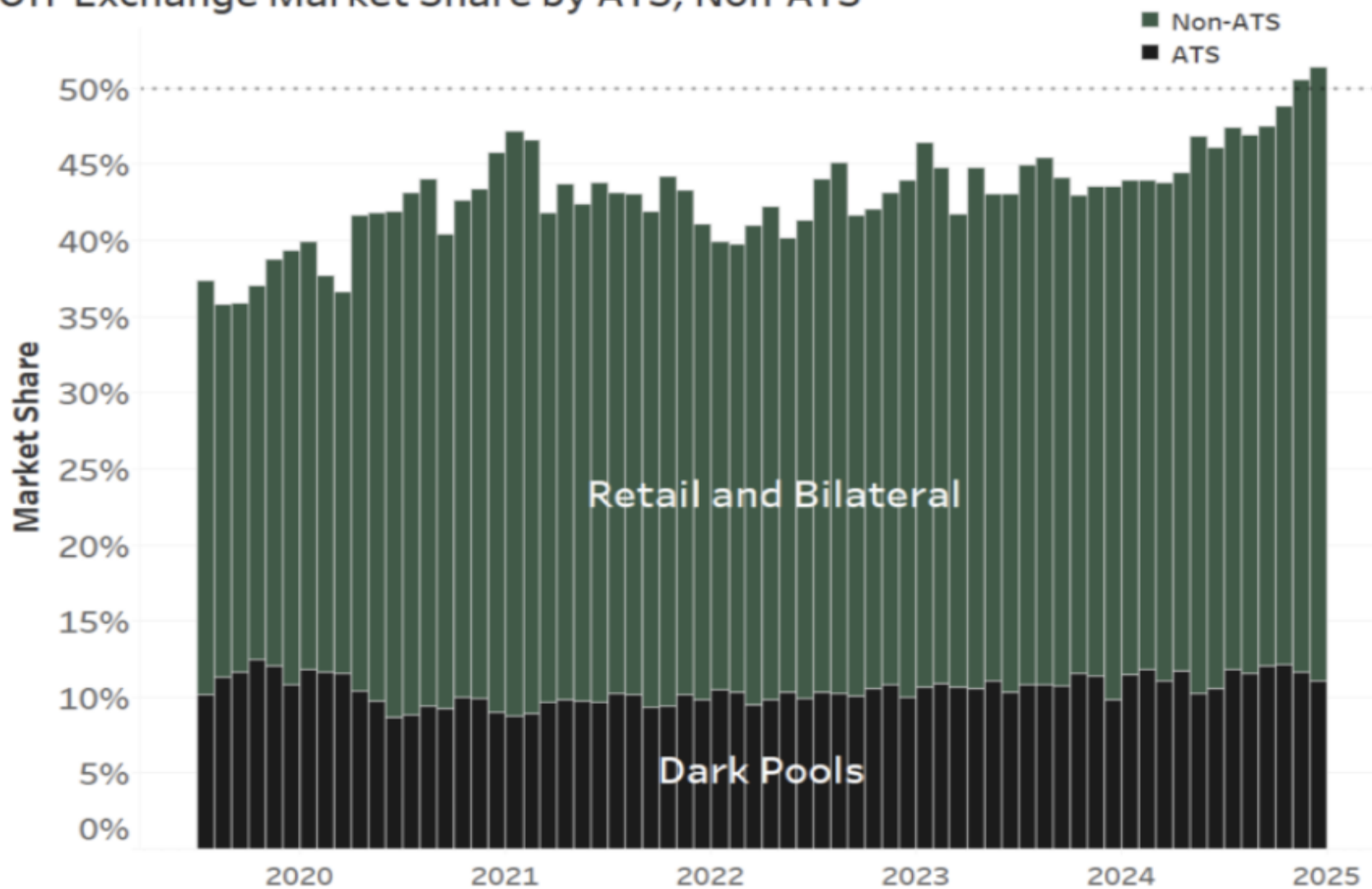
Data from January 2025. Price categories determined by closing values on 1/31/2025.



Source: Nasdaq Economic Research

Chart 2: Bilateral (non-ATS) has seen almost all the off-exchange share increase since (at least) mid-2019

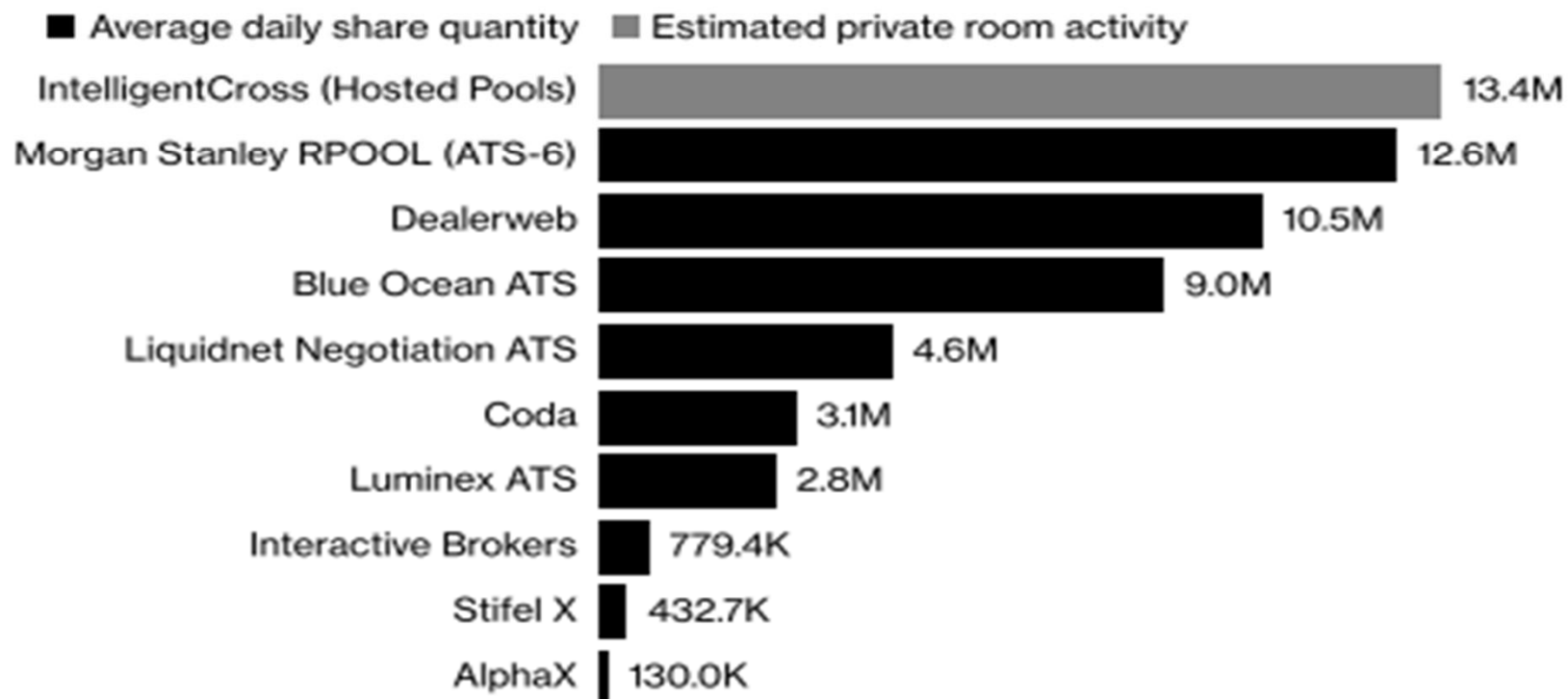
Off-Exchange Market Share by ATS, Non-ATS



Source: Nasdaq Economic Research

Private Rooms Are Growing

IntelligentCross 'hosted pools' estimated activity eclipses 9 full dark pools.



Source: Bloomberg, FINRA data for January 2025.

Note: Hosted pool activity for IntelligentCross is estimated based on the average 5.4% it accounted for in 2024.

Market impacts

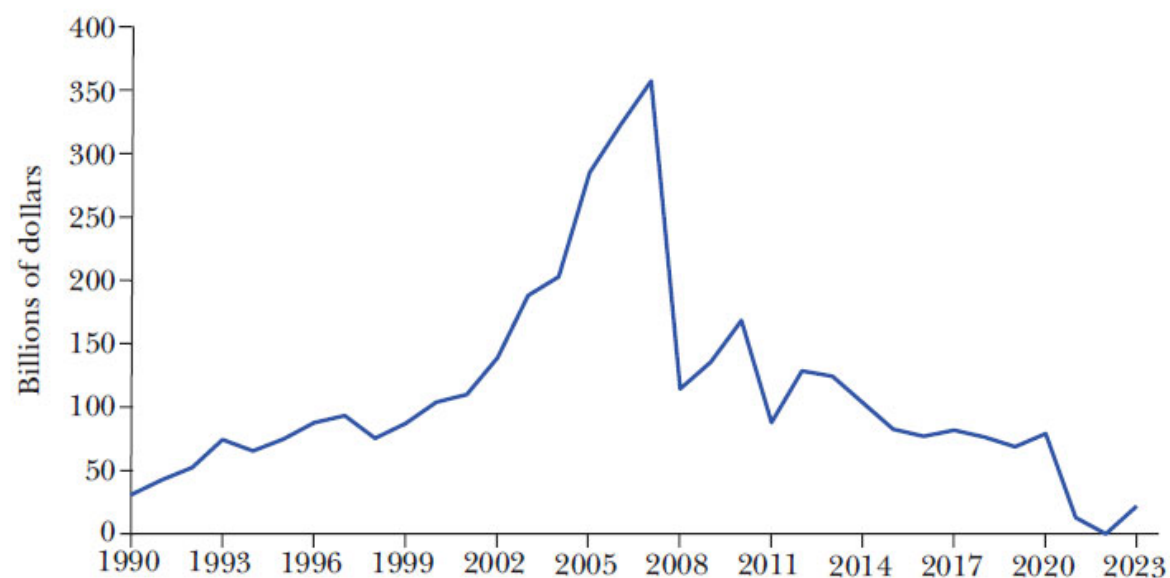
- Despite their being 16 exchanges, off-exchange volume is bigger
 - NYSE market share is around 18 % of overall daily volume
- Hidden orders on exchanges are growing
 - 40% of all trades now involve hidden liquidity / for high priced stocks, hidden liquidity is greater than 80% (Bartlett and O'Hara 2025)
 - Executions on exchange against hidden liquidity pay 58% of the spread; the same or slightly better than executions off exchange
 - What does the NBBO actually capture anymore?
- Trading is shifting to the close
- ETFs are now approximately 30% of average US equity market daily trading volume

Has it affected price discovery?

Fixed income

- An ever bigger U.S. corporate bond market \$11.2 trillion
- Over the past decade, the number of bond dealers has fallen by half
- Execution costs have fallen by 70%
- Match making now makes up 30% of volume – potential here for period instability?
- Growth of private bond issues- no disclosure?
- Growth of leveraged loan/ credit – leverage concerns?
- ETF/ Mutual fund bond issues/ credit etfs? – liquidity in an illiquid world? Or a crises waiting to happen?

Figure 2
Dealer Corporate Bond Position

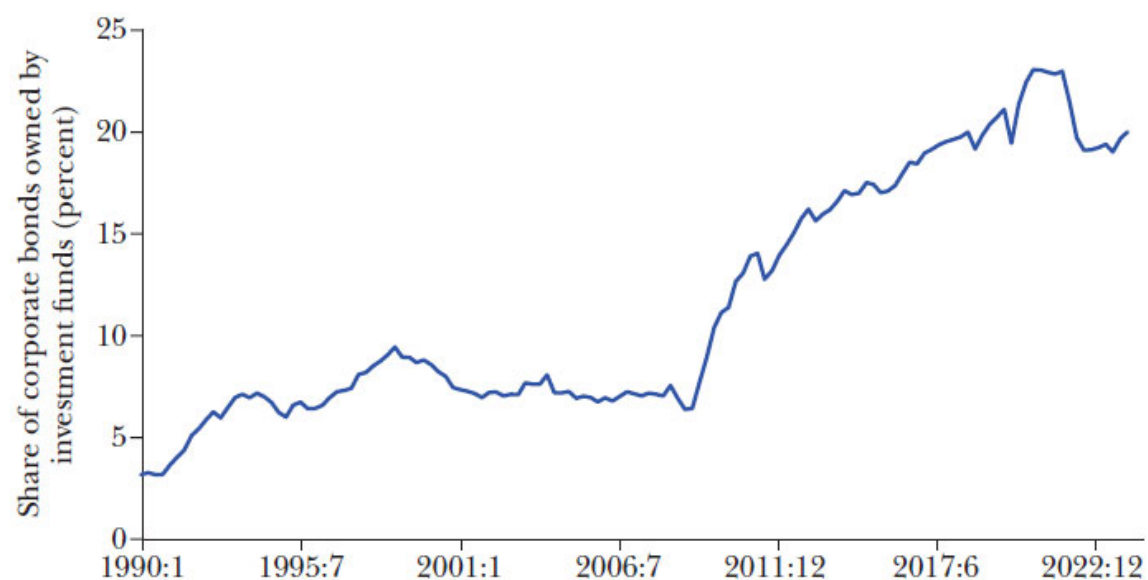


Source: Federal Reserve Board, “Financial Accounts of the United States.”

Note: Corporate bond positions include domestic and foreign bonds held in the United States by securities broker-dealers.

O’Hara and Zhou, JEP, 2025

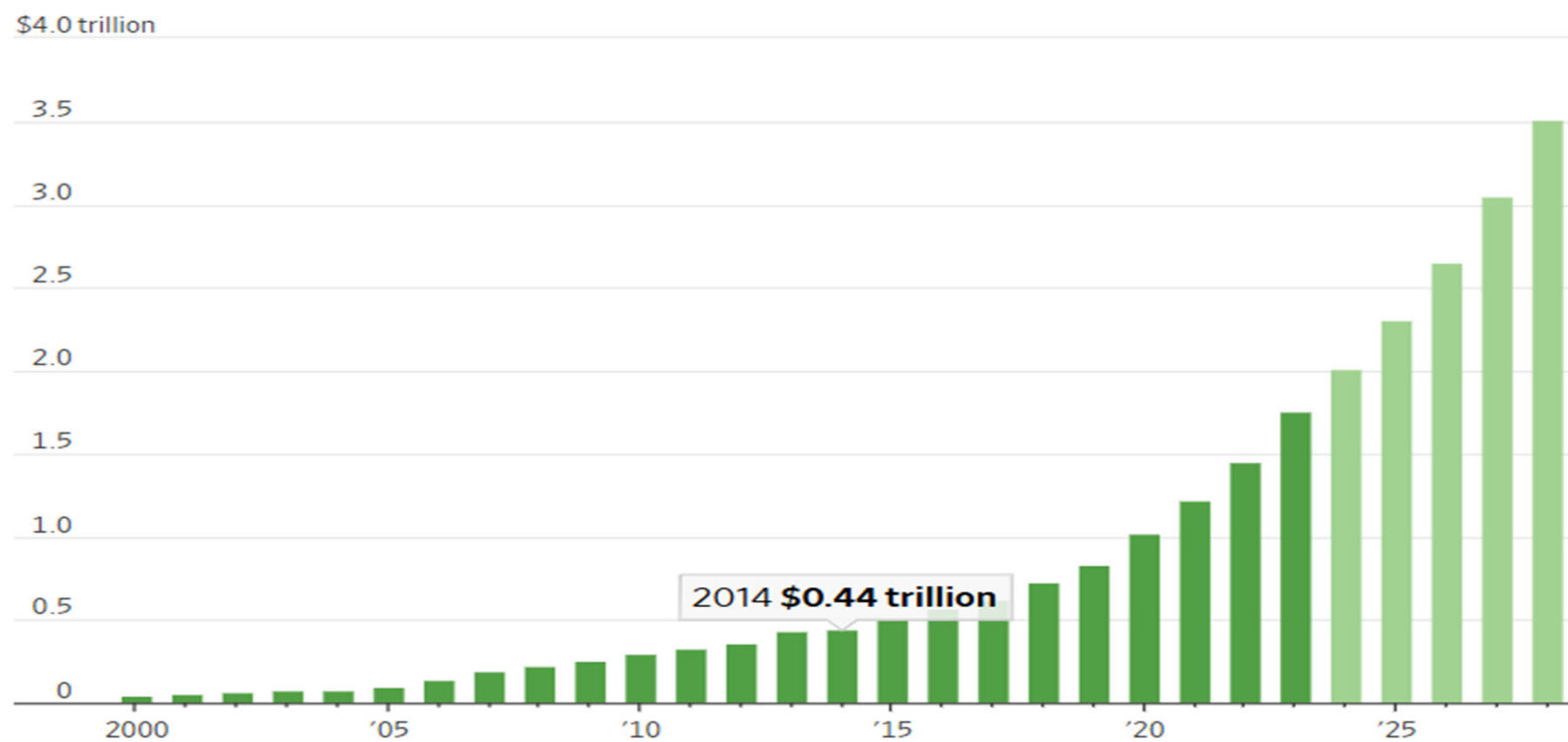
Figure 3
Investment Fund Ownership of Corporate Bonds



Source: Federal Reserve Board, “Financial Accounts of the United States.”

Note: The figure plots the fraction of corporate and foreign bonds (held in the United States) owned by mutual funds and exchange-traded funds.

Private-credit assets under management



Note: Figures after 2023 are estimates.

Source: BlackRock, Preqin

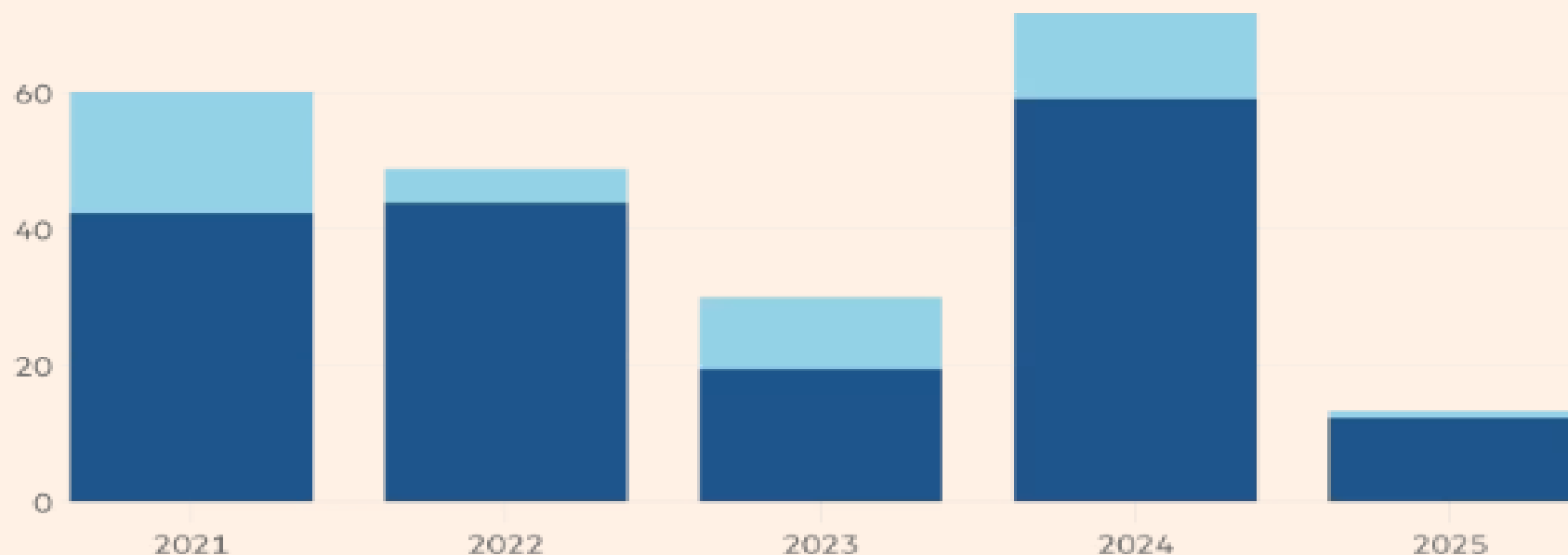
What happens next?

Primary markets stall for bonds, loans

April month-to-date issuance (in \$bn)

■ Leveraged Loans

■ High yield



Data covers April 1 to April 11 of a given year

Source: LSEG