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When Access to VC Becomes a Liability

Drawing parallels between venture secondaries, SPACs, and the quick ascension of new liquidity

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- The direct venture secondary market has nearly doubled in value from 2024 to 2025, driven by longer private company timelines, constrained exits, and a behavioral shift among founders, employees, and LPs. That growth is real and structural. The problem is that the infrastructure to support it—standardized policies, verified ownership, regulatory oversight—has not kept pace.
- The SPAC parallel is a warning, not just an analogy. The SPAC boom followed the same arc now visible in secondaries: manufactured liquidity vehicle, capital flooding in faster than discipline, increasingly poor-quality deals dressed up with optimistic projections. Our DeSPAC Index is down 75% since 2020. SPACs did not struggle because they were a bad idea; they struggled because the best opportunities did not need them. Secondaries face the same dynamic, where concentration in a handful of marquee names has quickly pushed valuations to levels private markets have never seen.
- Special purpose vehicles are the market’s biggest double-edged sword. SPVs have made secondary transactions faster and more accessible, but multilayered structures have also become the preferred vehicle for fraud and fee extraction. The 2025 enforcement cases—Linqto, Pennetta, and a \$65 million pre-IPO scheme—are not anomalies. They are the predictable output of a market that combined high demand, limited transparency, and inexperienced buyers.
- SpaceX, OpenAI, and Anthropic together represent the majority of secondary trading value. When those companies eventually go public, the gap between perceived and actual ownership will be exposed at scale. The fallout will test confidence in the secondary market broadly, not just in the bad actors.

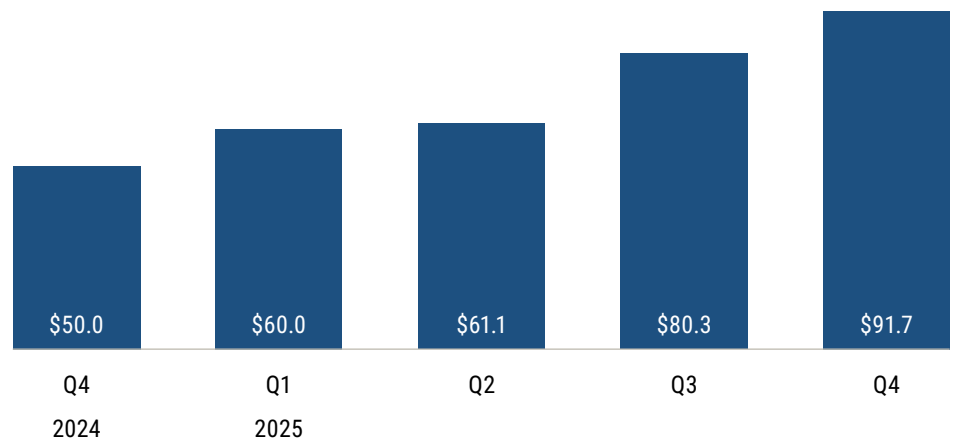


Secondaries at the crossroads between controlled burn and uncontained wildfire

Nearly every financial innovation begins with the same promise: greater efficiency, more liquidity, and better access. Venture secondaries are no different. In less than a decade, the market has evolved from taboo to widespread adoption. Now, venture secondaries are approaching a crossroads. Their rapid growth could build durable infrastructure and fundamentally change VC's liquidity dynamics—or burn out and fade into obsolescence like SPACs.

Although secondaries have existed as long as primary VC, founders and employees were historically discouraged from selling shares prior to an exit out of fear of signaling reduced conviction, even when liquidity needs were personal. The pandemic era marked a structural shift in market sentiment. Persistently oversubscribed rounds made primary allocations scarce, pushing many investors toward the secondary market as one of the few ways to gain exposure to highly valued startups. Then, as interest rates began rising in 2022 and venture activity slowed, secondary discounts plummeted as shareholders prioritized liquidity over equity.

Annualized VC direct secondary market value (\$B) by quarter



Source: PitchBook • Geography: US • As of December 31, 2025

Today, founders, employees, and investors are increasingly incorporating secondaries into capital planning, compensation strategies, and portfolio construction. Secondaries have also gained traction among new venture investors, such as family offices, seeking exposure to the asset class with the added benefits of shorter timelines and more mature portfolio companies with established business models. As a result, direct secondary market value has nearly doubled from 2024 to 2025.

However, venture secondaries have two important constraints. First, transfers of shares require company approval, as the new investor will be added to the cap table. Although secondary policies are currently not standardized, startups often exercise their right of first refusal, enforce co-sale agreements, or block trades altogether

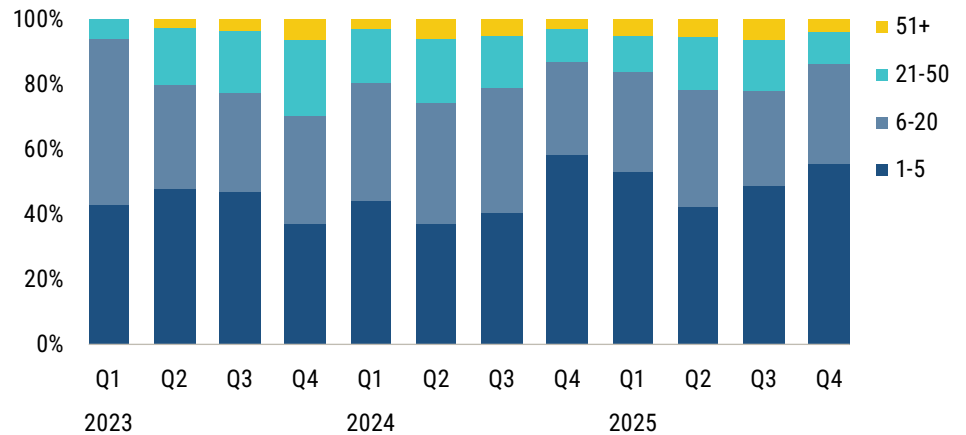


to gatekeep access. Second, today’s market is highly concentrated in household names such as SpaceX, OpenAI, and Anthropic. On Hiive, the top 20 startups accounted for 86.4% of secondary trading value in Q4 2025, with the top five alone representing 55.6%.

SPVs also help keep companies under the 2,000 investor limit enforced by the SEC. Under SEC rules as stated: An issuer is not required to register a class of equity securities pursuant to section 12(g)(1) of the Act (15 U.S.C. 78l(g)(1)) if on the last day of its most recent fiscal year: ... (1) The class of equity securities was held of record by fewer than 2,000 persons and fewer than 500 of those persons were not accredited investors (as such term is defined in § 230.501(a) of this chapter, determined as of such day rather than at the time of the sale of the securities); ...”

Surpassing this limit would trigger periodic reporting through 10-K, 10-Q, and 8-K filings, similar to companies listed on public exchanges, but without the benefit of raising capital through an IPO.

Quarterly share of VC secondary market value by stock tier



Source: PitchBook • Geography: US • As of December 31, 2025

As history has repeatedly shown, where insatiable demand meets exclusivity, exploitation often follows. The heavy use of SPVs is a prime example..

Unlike typical secondary trades that change cap tables and can therefore be blocked by startup boards, SPVs can bypass this friction. A single-layer SPV will appear on the cap table, but its investors will not, allowing shares to change hands more efficiently and circumvent startup involvement. As demand surged, increasingly complex structures such as multilayered SPVs emerged, enabling SPVs to invest in other SPVs, which blurs a startup’s true ownership structure and adds layers of fees and performance payouts.

In 2026, venture secondaries are expected to face significantly greater scrutiny from both regulators and issuers as the market continues its rapid expansion. Without stronger guardrails, the very structures fueling the market’s growth will erode investor confidence and destabilize the broader ecosystem. Preserving legitimacy will be critical if venture secondaries are to evolve into sustainable infrastructure rather than another boom that ultimately collapses under its own weight.

This scrutiny may be overdue, as risks around transparency, pricing discipline, and governance were brought to light with several high-profile enforcement cases in 2025. Fintech startup Linqto, which filed for bankruptcy in July 2025, allegedly claimed that customers were acquiring direct stakes in hard-to-access private companies, even though it never transferred the shares to buyers. Linqto created more than 500 SPVs, although it remains unclear if private company shares were ever formally put into these vehicles.



In December 2025, Giovanni Pennetta, the manager of Sestante Capital, was charged with securities fraud, wire fraud, and aggravated identity theft for allegedly stealing millions of dollars from clients after claiming access to startups such as Anduril. Pennetta did not actually have these shares; instead, he allegedly sent most of the funds to his personal bank account.¹

Also in December 2025, three men pleaded guilty to a \$65 million fraud of a “pre-IPO” fund.² Their fraudulent behavior included making material misrepresentations and omissions about the investments’ terms and structure, lying that these shares were purchased directly from issuers and employees, and hiding excessive fees such as markups that at times exceeded 95% of the investment’s value. They targeted elderly victims, who are particularly susceptible to these lies and tend to be unfamiliar with the intricacies of private markets, and used high-pressure sales tactics to raise capital. Then, they used these funds to purchase luxury goods for their personal use.

Whether these are isolated incidents or early signals of a systemic problem depends entirely on how quickly regulators and issuers act. They do not discount the value of SPVs, as many are legitimate investment vehicles, especially those on cap tables that have gone through startup approval. However, they do highlight the opacity and the resulting risks of VC and the secondary market, especially to less-experienced private markets investors.

To limit unauthorized transfers and regain control over ownership, startups are tightening rules around SPV participation, including limiting which GPs may form SPVs and who may invest in them. OpenAI has reasserted control over its cap table, declaring that any equity transfers made without the company’s written consent are void.³ The move follows Robinhood’s controversial European launch of tokenized shares in OpenAI and SpaceX, which are backed by the brokerage’s ownership stake in an SPV. Similarly, Anduril cautioned buyers on its investor relations webpage that “any offer to invest in Anduril that does not come from or through Anduril is very likely a scam,” and that they should report any such solicitations to local regulators.⁴

More startups will follow, especially the most highly sought-after ones where demand far outweighs supply. While this development does not outright halt all secondary transactions in OpenAI or Anduril equity, it sends a clear signal: OpenAI and Anduril intend to curb unauthorized trading and protect against unverified synthetic exposure. By explicitly warning that certain secondary shares may be invalid, these companies ensure liquidity mechanisms remain under their direct oversight through tender offers and approved transfers rather than on third-party platforms or with unknown brokers.

As a result of this tightening from both regulators and issuers, access is expected to

¹: [“Manager Of Investment Firm Charged With Defrauding Investors In “Pre-IPO” Scheme,” U.S. Attorney’s Office, Southern District of New York, December 15, 2025.](#)

²: [“Former Principals of ‘Pre-IPO’ Fund Plead Guilty to \\$65 Million Fraud and Money Laundering Schemes,” U.S. Attorney’s Office, Eastern District of New York, December 18, 2025.](#)

³: [“Unauthorized OpenAI Equity Transactions,” OpenAI, March 20, 2026.](#)

⁴: [“Investment Funds Claiming to Have Access to Anduril,” Anduril, 2026, accessed March 20, 2026.](#)



concentrate further among established players who are known, trusted partners, while opportunistic or loosely governed syndicates will face higher barriers to entry. The burden of diligence will also shift more heavily onto buyers. Not all SPVs are created equal, and investors will need to scrutinize structures more carefully, understanding information rights, fee layers, and whether the SPV can verify ownership of the underlying shares.

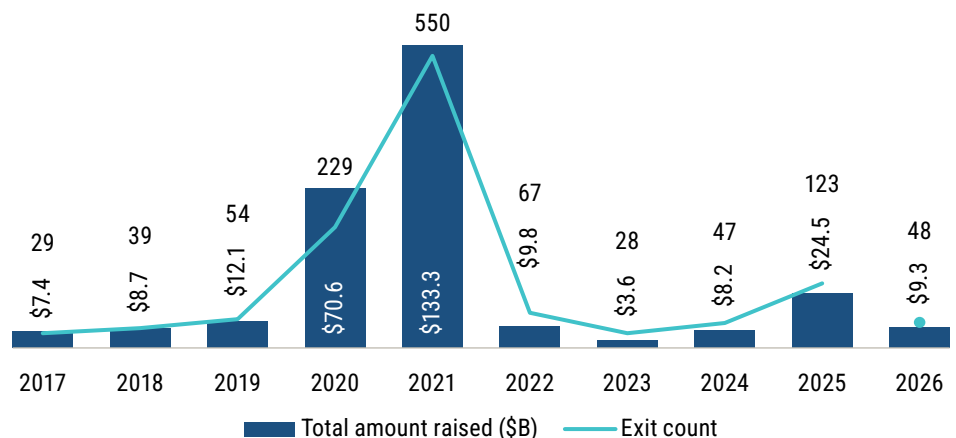
SPACs were a liquidity valve for the top of the market

A notable comparison for the rise of venture market secondaries is the SPAC boom of 2020 and 2021. The mechanics may differ, but the underlying dynamic is identical: A market under liquidity pressure manufactures a vehicle to relieve it, capital floods in faster than discipline can follow, and the vehicle eventually collapses under the weight of what it was asked to carry.

By the end of 2019, venture funding had slowed considerably. Q4 2019 deal value was 30% lower than Q4 2018. Uber and other unicorns were struggling post-IPO, and WeWork's canceled listing had subsequently shut down the IPO market. That was before the onset of COVID-19. The venture market value had increased significantly over the past decade, yet DPI back to LPs was not as strong as the growth in market value would suggest.

For unicorns, the inability to generate the liquidity expected and the uncertainty over that future ability led to investors finding ways to get companies public. SPACs were the perfect vehicle at the perfect time, and their numbers increased dramatically alongside the hype. In 2019, 54 SPACs were raised, nearly double the two years prior, and five times the number from 2016. Just two years later in

US SPAC registrations



Source: PitchBook • Geography: US • As of March 13, 2026

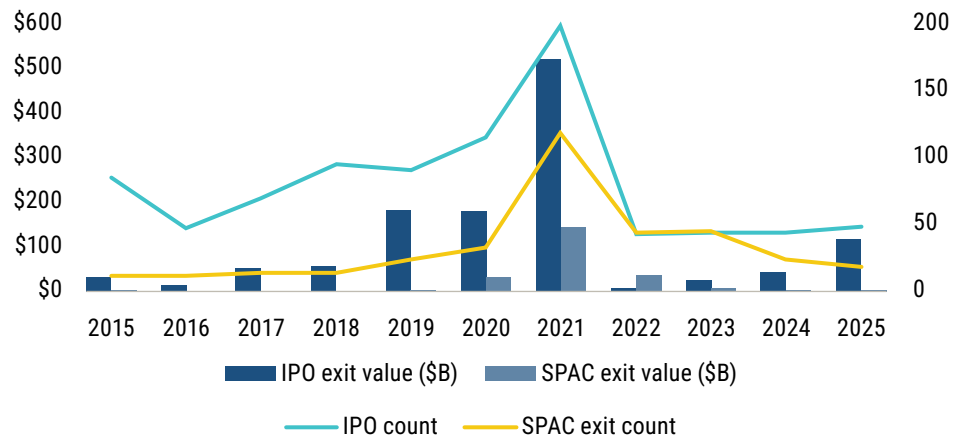


2021, the number of SPACs raised in the US reached 550. These vehicles were very much a manufactured liquidity valve for a market beginning to feel the pressure of extending company timelines.

Those dynamics have reassembled almost exactly today, although the push into AI has clouded the reality by increasing total capital deployed into the market, and creating a frenzied environment high in primary dealmaking. Company timelines are extending well beyond the standard 10-year fund term, forcing LPs to reconsider new commitments to funds, and pressing GPs to return capital. And with traditional liquidity channels of IPOs and M&A challenged for various reasons, secondaries are the perfect vehicle at the perfect time.

The problem with the SPAC craze was not the idea of SPACs, but the ability for them to attract companies worthy of going public. 2020 and 2021 saw the most IPOs since 2000. So, the problem for the market at the time was not liquidity; it was that so many companies had raised on high valuations and had remained private for too

US VC-backed IPOs and reverse mergers by year



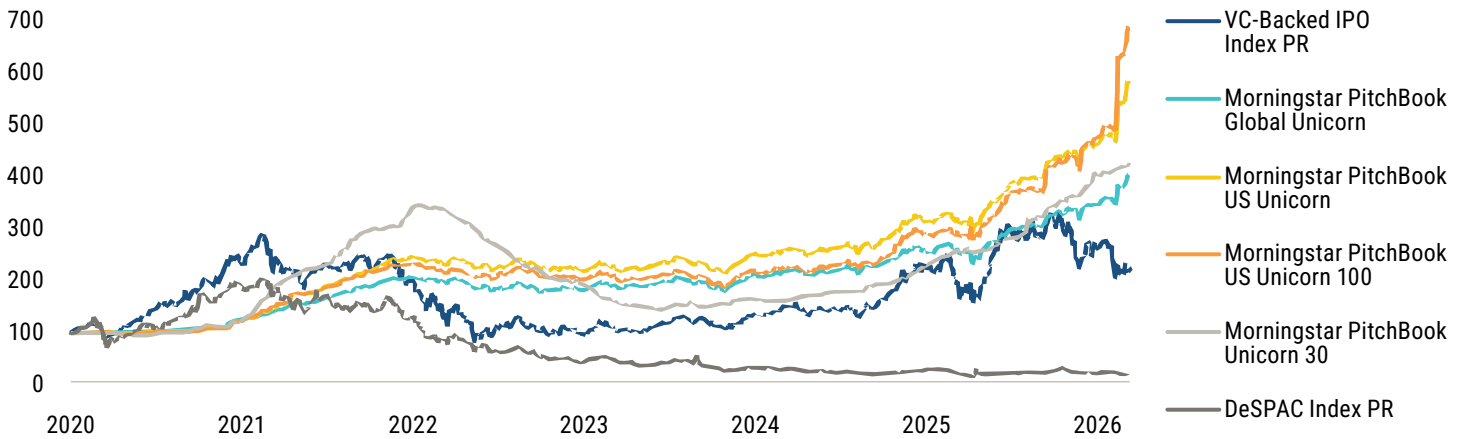
Source: PitchBook • Geography: US • As of December 31, 2025

long that even the strong liquidity market was not liquid enough. This then created an environment with too many SPACs chasing too few companies truly able to survive public market scrutiny.

In 2021, 118 companies completed a reverse merger to go public, creating liquidity for investors, but leaving new buyers holding shares of middling companies. This is in addition to the 198 companies completing traditional IPOs. Target companies in reverse mergers during 2021 had a median total revenue that was half that of companies that went through a traditional IPO, but their growth rates weren't any higher. Despite these traits, companies combining with SPACs were doing so at a median valuation jump of nearly 2x their previous private valuation, while companies completing an IPO were increasing their value at a median of 1.4x during the year. Unlike traditional IPOs, SPACs that found target companies to take public were allowed



Select indexes



Source: PitchBook • Geography: Global • As of March 13, 2026

to forecast financial performance. Research by Harvard Law found that the average projection of financials was four years into the future and that the average projected revenue growth rate was 116%, well above the mean growth rate of recent IPOs at the time, which was just 41%. Our DeSPAC index is down 75% since 2020.

The parallel for secondaries is uncomfortable but unavoidable. Today's market faces the same structural conditions that gave rise to the SPAC boom: extended company timelines, constrained IPO and M&A activity, LP pressure on GPs to return capital, and roughly 64,000 VC-backed private companies operating in a fundraising environment that has not recovered from 2021. SPACs did what they were meant to do by creating liquidity for the market. However, the liquidity for one side was an underperforming trade for the other side. Secondaries are filling the liquidity gap that SPACs once filled. The question is whether they will repeat the same pattern—too much capital chasing too few genuinely sound opportunities, with the least disciplined structures capturing the most flows under the guise of “access to private markets.”

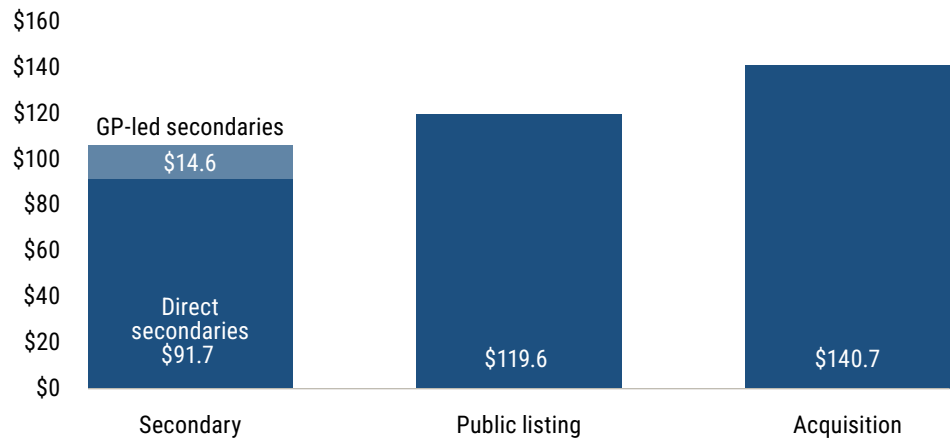
To become truly structural, secondaries need structure

The muted exit environment since 2022 provided the kindling for venture secondaries' rapid growth. That expansion has created real value, generating \$106.3 billion in 2025 across direct and GP-led secondaries. Secondaries have become a legitimate and necessary mechanism for venture liquidity, offering portfolio flexibility for LPs, exit optionality for founders and employees, and earlier access to mature private companies for newer market entrants. The question is no longer whether secondaries belong. It is whether the ecosystem can govern them before the market does it the hard way.

The warning signs are already visible. Recent enforcement cases are not isolated incidents—they are the predictable result of a market defined by opacity, surging demand, and limited standardization. When marquee companies such as SpaceX



2025 US VC exit value (\$B) by type



Source: PitchBook • Geography: US • As of December 31, 2025

eventually go public, the gap between perceived and actual ownership will become impossible to ignore, as investors may discover they paid more in fees than they received in equity. Valuations built on desire for exposure rather than business financials and outlook will reprice against public comparables. The transparency that private markets choose to defer will arrive all at once upon going public, and confidence in the broader secondary market will be tested accordingly.

Private credit offers another instructive recent parallel. What began as a disciplined, institutional asset class has grown so rapidly, and with such inconsistent underwriting standards across its newer entrants, that regulators and institutional allocators are now openly questioning the integrity of valuations and the adequacy of disclosures across the market. Venture secondaries are earlier in that curve, but the trajectory is recognizable: fast growth, structural complexity, uneven governance, and a retail appetite that has outpaced the market's ability to protect it.

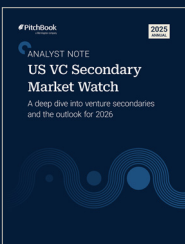
The solution is not to slow the secondary market. It is to build the infrastructure that the market's scale now demands. Startups need clearer, standardized secondary trading policies. Platforms need verifiable ownership chains before capital changes hands. Investors need to treat SPV diligence with the same rigor applied to primary investments: confirming information rights, understanding fee layers, and verifying that the underlying shares actually exist.

Venture secondaries are now a structural feature of modern private markets, not a temporary workaround. At their best, they are a durable liquidity mechanism that benefits every participant in the ecosystem. At their worst, they risk becoming the next chapter in a familiar story. The same forces that fueled their rise—demand, opacity, and financial engineering—will determine whether they mature into infrastructure or collapse into the background of VC.



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