



## GM IPO: A Missed Opportunity...for Market Structure Reform

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*Grody takes a look at market structure reform through the prism of the General Motors IPO and sees a missed opportunity.*

In an Aug. 24 post to TabbFORUM titled [Real Market Structure Reform - Let the Debate Begin](#), I listed 10 things that should be examined in the market structure debate. These would allow consideration of needed fundamental change, not the incremental change now being debated.

First on the list was [risk management](#), second was thinking [global vs. local](#), third was [silo vs. surrogate market reform](#). This post is the fourth in the series – my apologies for being out of step as it is the fifth point – but on the eve of the GM IPO I felt compelled:

Here are possible approaches to consider for the fifth idea on the list.

Ask why GM's IPO is being done through the “conventional old boy network” when more democratic methods such as Internet IPOs are available, especially as it's the peoples' money that bailed out GM. Shouldn't the “people” have a chance to buy GM's IPO? Google did it that way through Bill Hambrecht's Internet auction process.

- We missed the opportunity to use GM to resurrect the online Internet IPO auction. It was only a decade ago that E\*Offering, a venture of E\*Trade, Wit Capital and W. R. Hambrecht & Co.'s OPENIPO, set IPO prices and allocated shares through an online auction process. What better way to lead than the government, which largely owns GM, to have created a democratic process to allow all who can click on a browser and open a brokerage account to buy into such an iconic company as GM?
- Leadership takes risk. If our government is incapable of leveraging existing market structure innovations, how can we expect them to lead our regulators to continue to innovate market structure reforms?
- If our financial institutions will not lead, who will? Well, maybe it will be Yahoo Finance or Google Finance (Google, you may recall, lead the largest online IPO ever). Maybe the next entrepreneur emerging from his garage or basement with the next new new thing.
- Remember tracking stocks, a concoction of financial institution balance sheet reengineering? Take the new part of your business – back then it was on-line brokerage – sell new stock to the public – many of those who were interested were early adapters to the Internet – and you raised more money than you could have if the business was just another new product or delivery channel of your existing business. Marketing hype on steroids!
- Market structure reform should focus on the entire financial supply chain from venture financing, mezzanine financing, private equity financing, management buy-outs, et. al., until

the day a primary or secondary offering is offered to the public and secondary market trading begins. Just focusing on secondary markets (exchanges, dealers, dark pools, ATSS and ECNs) is short sighted and will not lead to long-term innovation.

- Thinking about real-time markets and online traders and investors, you quickly can conjure up all manner of innovation around new issuance. So how many individuals in emerging market countries have access to the Internet? Billions – but no access to purchasing GM at the offering price – none!
- How much of the take down of the GM offering went to sovereign wealth funds of mineral and oil-rich emerging markets? Will they be trusted to support the improvement of living standards of their people vs. the impact of self-determination that would be enabled by direct investment in the IPO by their populations?
- The U.S. government missed a great opportunity to promote market innovation, to buck up the regulators toward further innovation along the total spectrum of the financial supply chain, and to promote democratic ideals and self-determination ... all the great values that make our country great! What a missed opportunity.

*“The difficulty lies not so much in developing new ideas as in escaping old ones”*

*— John Maynard Keynes*