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Invested in America

November 2, 2026

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

RE: Rule Filings to List and Trade Security Futures Products by Bitnomial Exchange, LLC, Coinbase Derivatives, LLC, KalshiEX LLC, the North American Derivatives Exchange Inc.

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to submit this letter to the Securities and Exchange Commission ("SEC") in response to the rule proposals filed with the SEC by four markets registered with the Commodity Futures Trading Commission ("CFTC") as designated contract markets ("DCMs").[2] These DCMs recently notice-registered with the SEC as Security Futures Product Exchanges pursuant to Section 6(g) of the Securities Exchange Act of 1934 ("Exchange Act"). The rule proposals, which the DCMs filed with both the SEC and CFTC (together, the "Commissions") pursuant to the statutory processes for rule filings related to security futures,[3] would amend the DCMs' rules to permit the listing and trading of contracts on individual equity securities[4] that do not have an expiration date ("Equity Perpetuals") as security futures.

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[1] SIFMA is the leading trade association for broker-dealers, investment banks, and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets, and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] Bitnomial Exchange, LLC, Release No. 34-106421 (Sept. 18, 2026), 91 FR 60438 (Sept. 23, 2026); Coinbase Derivatives, LLC, Release No. 34-106420 (Sept. 18, 2026), 91 FR 60448 (Sept. 23, 2026); KalshiEX LLC, Release No. 34-106422 (Sept. 18, 2026), 91 FR 60467 (Sept. 23, 2026); North American Derivatives Exchange, Inc., Release No. 34-106521 (Sept. 29, 2026), 91 FR 62786 (Oct. 2, 2026). ICE Futures U.S. filed a Form 1-N to become notice-registered with the SEC as a national securities exchange to list security futures products, and it has been discussed that this may include Equity Perpetuals.

[3] 15 U.S.C. §§ 78f(g)(1); (g)(2); (g)(4)(B).

[4] We note that announcements have also been made to trade perpetual-style equity index futures.

There are many unanswered questions related to the listing and trading of Equity Perpetuals that the Commissions should address *before* notice-registered Security Futures Product Exchanges, as defined in Exchange Act Section 6(g), launch these products for trading for the first time. This includes the potential impact trading in Equity Perpetuals will have on the underlying equity markets, the ability of regulators to surveil for potential cross-market manipulation, the trading of these products during low volume periods, and whether these products should be classified as security futures. We are not the first to raise these questions.[5] The Commissions have raised similar questions recently in various requests for comments ("RFCs"),[6] policy statements,[7] rule proposals,[8] and the SEC's "Staff Statement on Affiliations Between National Securities Exchanges and Broker-Dealers."[9] Presumably, the Commissions are still reviewing and considering the responses they received from public commenters in each of these separate initiatives, but to date we are not aware the Commissions have formed any conclusions regarding these questions.

We therefore respectfully request that the SEC and CFTC rely on their statutory tools, such as the CFTC's authority to stay and determine not to grant approval of the DCMs' rule filings or the SEC's authority to abrogate the rule filings after they become effective and require that such rule filings related to the listing and trading of Equity Perpetuals be refiled pursuant to Section 19(b)(1) of Exchange Act, to allow for a more thoughtful and measured consideration of these questions with the benefit of public input.

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[5] *See*, *e.g.*, Letter from Patrick Sexton, EVP, General Counsel, and Corporate Secretary, Cboe Global Markets, Inc. to Vanessa Countryman, Secretary, SEC (Oct. 14, 2026); Letter from John Marchese, Senior Managing Director and General Counsel, CME Group, Inc. to Vanessa Countryman, SEC (Oct. 14, 2026); Letter from Jeffrey S. Davis, Senior Vice President, Senior Deputy Counsel, Nasdaq, Inc. to Vanessa Countryman, Secretary, SEC (Oct. 14, 2026).

[6] CFTC Staff Seek Public Comment Regarding Perpetual Contracts in Derivatives Markets, Release Number 9069-25 (Apr. 21, 2025) (the CFTC received more than 150 responses to this RFC, which posed 16 separate questions including, "Should Perpetual Derivatives be classified as swaps or futures contracts?"); Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance, 91 FR 37873 (June 24, 2026) ("Definitions Joint RFC") ("Is there a need for greater clarity from the Commissions regarding the treatment of futures, including security futures, in the context of innovative markets? For example, is there a need for greater clarity regarding whether a cash-settled "perpetual" contract referencing an equity security could be treated as a security future? What effects could the introduction of such products have on liquidity formation, price discovery, and hedging activity, particularly with regards to the derivatives and underlying cash equity markets?").

[7] CFTC Policy Statement (May 29, 2026) ("Perpetual contracts raise novel issues and complex questions relating to market structure, customer protection, resilience during periods of market stress, and consistency with the Core Principles applicable to registrants under the CEA. . . . Each asset class will raise different considerations and merit independent analysis and review based on their unique circumstances. For example, perpetual contracts are likely particularly ill-suited for agricultural products based on the considerations identified in the Order, while perpetual contracts that reference equity securities or narrow-based security indexes, among others, would benefit from review by the Commission and the U.S. Securities and Exchange Commission.").

[8] Conflicts and Affiliations, CFTC NPRM, 91 FR 50926 (Aug. 6, 2026).

[9] Staff Statement on Affiliations Between National Securities Exchanges and Broker-Dealers, Division of Trading and Markets (Sept. 30, 2026) ("Staff Statement"), https://www.sec.gov/newsroom/speeches-statements/tm-statement-affiliations-093026.

Executive Summary

While Congress created the security futures framework under Section 6(g) of the Exchange Act to provide for the trading of single stock futures, Equity Perpetuals have features sufficiently different from the features of single stock futures and traditional futures that reliance on the abbreviated rule filing process under that framework will not provide the appropriate level of review for these nascent equity-linked products. We therefore respectfully request that the Commissions:

- Address the questions and concerns about potential impacts from trading nascent products on the underlying markets, including impacts on investors, liquidity, capital formation, market manipulation, regulatory arbitrage, reliable pricing, and overall risk management in a 24/5 environment.
- Address the questions and concerns raised in the responses to the Commissions' Definitions Joint RFC – most notably definitively resolving whether these new Equity Perpetuals and other nascent products are securities, futures, swaps, or security-based swaps (and how that can be done under a consistent framework) – before approving these products for trading.
- Regarding the approval and launch of nascent products, rely on their statutory tools, such as the CFTC's authority to stay and determine not to grant the approval of the DCMs' rule filings or the SEC's authority to abrogate the rule filings after they become effective and require that they be refiled pursuant to Section 19(b)(1) of Exchange Act, to allow for a more thoughtful and measured consideration of these questions with the benefit of public input.

SIFMA's Response to the Definitions Joint RFC Recommended the Commissions Consider Important Questions About Perpetuals

In our response to the Definitions Joint RFC,[10] we noted that there are many open questions concerning the classification and regulatory framework that should apply to nascent products. The response requested that the Commissions, among other items:

- Establish a better framework to determine the proper characterization of nascent products, including processes for each Commission with a regulatory interest in a product to review such product before it is listed or cleared on a Commission-regulated exchange or central counterparty.
- Harmonize rulemaking to ensure product characterization does not lead to arbitrary and inconsistent regulatory results.

[10] Letter from Kyle Brandon, Head of Derivatives Policy, SIFMA, Christopher Young, Head of U.S. Public Policy, ISDA, and William C. Thum, Managing Director and Associate General Counsel, SIFMA AMG to Vanessa A. Countryman, Secretary SEC and Christopher Kirkpatrick, Secretary CFTC (Aug. 24, 2026).

Our comment letter was submitted prior to the four DCMs notice-registering with the SEC as exchanges and filing proposed amended rules with the Commissions. As far as we are aware, although raised by multiple other commenters in response to the Definitions Joint RFC, none of the items raised in our comment letter have been directly addressed by the agencies. Critically, the Commissions have not addressed the foundational status question as to whether Equity Perpetuals are security futures or security-based swaps. In addition, our response highlighted questions regarding the reliability of the pricing of Equity Perpetuals, the possibility that the products could be used for cross-market manipulation and how regulators intend to surveil for that activity, the potential impact of the products on the underlying equity markets and their liquidity, as well as the consequences on capital formation. We therefore incorporate by reference the entirety of our response to that RFC. As part of its mandate, the SEC should consider these potential impacts and should do so via a public process that invites and responds to public comments.

Potential Equity Market Impacts

The U.S. securities markets are the largest in the world and continue to be among the deepest, most liquid, and most efficient. In the U.S., capital markets fuel our economy, providing over seventy percent of equity and debt securities financing for non-financial corporations, greater than in other developed economies. Vibrant and healthy capital markets are critical to U.S. businesses for running day-to-day business operations, financing future growth, and managing all types of risks. American workers rely on our capital markets to prepare for their retirement, directly and through investment vehicles such as 401(k) retirement accounts, IRAs, and pension funds.

Investors in U.S. equity markets enjoy narrow spreads, low transaction costs, and fast execution speeds. Efficient and resilient market structure is key to sustaining investor confidence and participation underpinning the equity markets. The goal of regulators and market participants should be to ensure the U.S. equity markets continue to benefit all investors and play an essential role in capital formation. Market liquidity plays a key role in achieving these objectives. As such, integration of any new product into equity markets or adjacent products touching on the underlying markets should be done after a thorough analysis of the potential impacts on markets, investors, and market integrity as a whole.

Equity Perpetuals would be a new derivative product[11] in the U.S., tracking the prices of underlying equity securities or indexes but not conferring any of the securities' economic benefits to investors or issuers. These products would potentially create a parallel market, and separate market structure, for equity exposure. Therefore, the Commissions should carefully consider how Equity Perpetuals could affect prices, liquidity, and investors in the underlying

[11] Equity Perpetuals are similar to Contracts for Difference (CFDs), or derivative contracts where the investor never owns the shares, rather bets on the price movement of the underlying. Historically, regulators viewed CFDs as having characteristics that raised retail investor protection concerns – such as high leverage – and, as such, CFDs have effectively been prohibited from being offered to U.S. retail investors.

equity markets. Currently, liquidity in the equity markets generally is concentrated around regular trading hours even though 24/5 trading is available and will be expanded in December 2026 to include exchanges trading 23/5. An Equity Perpetual trading nearly continuously – currently 24/5 and likely 24/7 in the future – would introduce a separate avenue for equity price discovery at times when the underlying equity is not trading. For example, if Equity Perpetuals were to be offered over the weekend, by Monday morning, the underlying stock could open to the Equity Perpetual-implied value. In addition, as Equity Perpetuals are expected to concentrate around select stocks, in these names, Equity Perpetuals could become the leading price-discovery venue during off-hours (as seen in crypto markets). The Commissions should consider whether it is appropriate for the prices of the underlying stocks to be subject to trading activity in these separate, highly-leveraged derivative products.

Exchanges seeking to list perpetual contracts also are expected to utilize internal risk engines that auto-liquidate investor positions to avoid losses below an account's maintenance margin amount. In addition, liquidations at times of low market volume, particularly when the underlying equity is not trading, can trigger additional liquidations based on the lower market value, resulting in a downward spiral in the price of the contract. Auto-deleveraging is another feature used in these markets and it could result in investors' profitable positions being unexpectedly closed out to absorb losses elsewhere. Such events would harm investors and investor confidence, particularly if highly leveraged positions result in significant investor losses.[12] The Commissions should evaluate these features of perpetual contracts and their potential impacts on the underlying equities and related options markets.

The SEC should also consider how any shift in liquidity could impact issuers and capital formation. For many issuers, their publicly traded equity security is the primary mechanism through which investors value the company and a critical benchmark for future capital raises. As discussed further below, like other futures contracts, these products would not be fungible across venues trading economically equivalent products, and the trading venues will not be linked. Unlike in equity markets, this fragmentation of liquidity will likely result in multiple prices for the same underlying equity. The SEC should consider how the potential migration of trading activity from cash equities into perpetual contracts could affect price discovery in the underlying equity markets and, in turn, the efficiency of capital formation. Given this possibility, it is critical that the SEC, in particular, consider the potential impacts of Equity Perpetuals on equity markets, investors, and the capital raising activities of companies in the U.S.

[12] While execution varies across venues, the Commissions should carefully consider whether a significant structural regulatory arbitrage could emerge from disparate margin regimes. Whereas cash equity leverage is capped at 50% initial margin (2:1 leverage) under the Federal Reserve Board's Regulation T, and 25% maintenance margin under FINRA Rule 4210 (4:1 leverage), DCMs operating under CFTC regulations would come under a separate margin framework that generally would permit lower margin thresholds. Under proposed rules for equity perpetuals, the minimum margin floors would be set near 15% (roughly 6.5:1 leverage). This disparity could distort venue selection, drawing leverage, price competition, and price discovery away from the underlying cash markets into futures.

Differences in Securities and Futures: Market Structure

As SEC's Division of Trading and Markets noted in its recent Staff Statement, there are significant differences in market structure in the equities and multi-listed options markets versus the futures markets. Futures markets operate through DCMs (trading venues), futures commission merchants ("FCMs"), and derivatives clearing organizations ("DCOs"), all under the Commodity Exchange Act ("CEA") framework.[13] In futures markets, exchange groups operate a vertically integrated model, handling both execution and clearing for their contracts, and in some cases these models include affiliated market making or principal trading activity. The contracts are unique to the exchange and therefore not fungible with other contracts, i.e. an oil contract on one exchange is not the same as an oil contract on another, and the exchanges are not interoperable. As a result, liquidity for a given futures or derivatives contract only exists on the listing exchange group's infrastructure, with trading, clearing, and related services organized around exclusive contract franchises.

Equities markets operate through exchanges, alternative trading systems ("ATSs"), and broker-dealers, all adhering to Exchange Act requirements for equities and similar requirements for listed options. Market participants utilize the same clearinghouse for post-trade operations. Unlike futures, all equity trading venues trade the same fully fungible securities. Although an issuer may choose an initial listing venue, once an equity security is listed it can be traded across numerous exchanges (currently 18), ATSs (currently over 30), and over 200 additional over-the-counter venues. The multi-listed options markets operate in the same manner; there are currently 20 exchanges and soon to be 22. Securities market structure rules are designed around this concept of competing trading venues interacting with a common set of fungible products and widely available consolidated market data linking the entire national market system. This structure is mandated by Section 11A of the Exchange Act and embedded in these markets.

Additionally, the equity and listed options markets have always had significant retail and institutional investor participation, and the markets therefore were built on – and continue to focus on – strong investor protection principles. Futures markets and their regulatory regime historically developed as a mechanism for commercial parties and institutional market participants to transfer and hedge risks or engage in speculation, rather than as a mechanism to facilitate capital formation. Consequently, the CEA is not designed to address capital formation or, historically, the protections afforded to retail investors under the Exchange Act.[14]

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[13] Under the CEA, DCMs operate futures and derivatives trading venues; FCMs serve as customer intermediaries, including by holding customer funds and acting as introducing brokers that provide market access; and DCOs clear and settle transactions and manage counterparty risk.

[14] These differences have direct consequences for the Exchange Act's definition of "exchange," including the intentionally broad definition of "facility" in Section 3(a)(2), which sets the scope of the SEC's jurisdiction and should be preserved. For example, the KalshiEX filing, would allow the exchange to decide in its "sole discretion" which functions of its affiliated FCM make up a facility, and to judge for itself whether the information barriers behind that decision are working. In effect, the exchange would draw the boundaries of SEC oversight itself. Whether an affiliate is a facility is a legal question with jurisdictional consequences that the SEC should decide, and any relief should be granted by Commission order on conditions the Commission sets. Yet, as described above, the

Differences in Securities and Futures: Product Listings and Rule Changes

There are also oversight differences between equity and futures markets when it comes to rule changes. For example, under Exchange Act Section 19(b), exchanges, which are self-regulatory organizations ("SROs"), are required to submit to the SEC changes to their rules, and the SEC publishes the proposed rule changes and gives the public opportunity to submit their views of the changes.[15] SROs have the burden of demonstrating that their rule filings are consistent with the Exchange Act, and for many filings submitted under Section 19(b)(1) of the Exchange Act, the SEC must affirmatively approve those filings and can only do so if it finds that they are consistent with the Exchange Act.[16] This SEC review and approval process and the opportunity for the public to comment on exchange rule changes provide important substantive and procedural protections for the securities markets and investors.

In contrast, the CEA includes core principles that DCMs and DCOs must adhere to, and DCMs and DCOs generally certify that new rules, rule amendments, and products comply with the CEA and CFTC regulations when submitting filings to the CFTC.[17] Many of these rule changes become effective within 10 days of the filing with the CFTC "unless the [CFTC] notifies the registered entity within such time that it is staying the certification because there exist novel or complex issues that require additional time to analyze, an inadequate explanation by the submitting registered entity, or a potential inconsistency with this Act (including regulations under this Act)."[18] For rule changes related to security futures products specifically, a rule change generally may take effect the day after a self-certification filing with the CFTC.[19] DCMs may also generally begin offering a new product for trading the day after self-certifying such product with the CFTC.[20] A DCM may alternatively elect to seek prior CFTC approval of a rule change or the listing of a new product before implementation, but many rule changes and product offerings may be implemented through the self-certification process without affirmative CFTC approval. Similar to systemically important registered clearing agencies under the Exchange Act, systemically important DCOs must provide 60 days advance notice to the CFTC of any proposed rule changes that could materially affect the nature or level of risks presented by

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notice-registration process under Section 19(b)(7) gives the SEC no opportunity to approve these rules or require changes to them, leaving summary abrogation as its main tool. Before accepting the vertically integrated DCM/FCM model and its futures-market definitions within its regulatory perimeter, the SEC should carefully consider the implications for the national market system. At a minimum, it should limit any such approach to notice-registered security futures exchanges and futures-type products.

[15] 15 U.S.C. § 78s(b)(1).

[16] *See*, *e.g.*, 15 U.S.C. § 78f(b)(5), (8).

[17] 7 U.S.C. § 7a-2; 17 C.F.R. § 1.3 ("self-regulatory organization" definition).

[18] 7 U.S.C. § 7a-2(c)(2).

[19] 17 C.F.R. § 41.24.

[20] 17 C.F.R. § 40.2; 17 C.F.R. § 41.23.

such DCO.[21] The CEA does not generally require the notice-and-comment process that accompanies SEC review of exchange rule filings under Exchange Act Section 19(b). Congress adopted different rule-filing mechanisms for securities and futures markets in recognition of the distinct characteristics and historical differences of these markets.

The Commissions Should Evaluate Equity Perpetuals Outside the Process Congress Created for Security Futures

Equity Perpetuals warrant careful review by the Commissions before they are launched. In this regard, the DCMs seeking to launch Equity Perpetuals are attempting to do so via the security futures framework even though that framework was developed for different products. The security futures framework was developed to provide the Commissions with joint jurisdiction over equity futures with traditional features, including expiration. The expedited rule filing process for DCMs notice-registered as exchanges with the SEC, however, is not the appropriate method for evaluating the questions raised by Equity Perpetuals.[22]

Equity Perpetuals raise broad and impactful policy questions that would benefit from careful thought by both Commissions, including consideration of public comments. Instead of permitting Equity Perpetuals to trade as security futures via the DCM rule filings, the Commissions should address the concerns detailed in this and other letters, and specifically should determine whether the surveillance, information-sharing, and market oversight mechanisms applicable to these products are sufficient to satisfy the investor protection and anti-manipulation objectives in Exchange Act Section 6(b)(5). We urge the Commissions to use their statutory authority to conduct a broader, more measured review of these products and their potential impacts on equity markets before allowing them to be offered to retail investors via a process reserved for traditional security futures.

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[21] 17 C.F.R. § 40.10.

[22] 15 U.S.C. § 78f(g)(4)(B). Rule changes related to margin (except changes resulting in higher margin) are required to be filed with and approved by the SEC under §§ 19(b)(1) and 19(b)(2), which is the typical process for rule changes by national securities exchanges.

Conclusion

SIFMA appreciates the opportunity to comment on the Proposals. Given the many unanswered questions related to the listing and trading of Equity Perpetuals, the Commissions should address these questions before these products are made available to investors, including the potential impacts on the underlying equity markets. Please contact Rob Toomey, Kyle Brandon, or Katie Kolchin at (212) 313-1200 with any questions regarding these comments.

Sincerely,



Kenneth E. Bentsen Jr.
President & CEO
SIFMA

cc: The Hon. Paul S. Atkins, Chairman, SEC
The Hon. Mark T. Uyeda, Commissioner, SEC
Jamie Selway, Director, Division of Trading and Markets, SEC
Richard Holley, Associate Director, Division of Trading and Markets, SEC

The Hon. Michael S. Selig, Chairman, CFTC
DJ Hennes, Director, Market Participants Division and Acting Director, Division of Market Oversight, CFTC