



Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

October 29, 2026

Re: SR-COIN-2026-002 (re: Coinbase),¹ SR-KALSHIEX-2026-02 (re: Kalshi),² and Any Other Filings Intended to Permit Listing and Trading of Perpetual Futures in Individual Equity Securities and Exchange-Traded Fund Shares

Dear Secretary Countryman and Secretary Kirkpatrick:

Americans for Financial Reform Education Fund (AFREF³) opposes the requests by Coinbase and Kalshi filed with the Securities and Exchange Commission (SEC) to list perpetual futures for stocks, including individual equity securities and exchange-traded funds (ETFs). The SEC and Commodity Futures Trading Commission (CFTC) should not allow these proposals to take effect and they should reject any subsequent requests for similar perpetual futures listings. Approving these so-called perpetuals would have disastrous consequences for the integrity, reliability, and efficiency of the U.S. stock market. The proposals would advance shadow products that operate with limited regulations or transparency, often allowing levels of leverage that can be 20 to 1 or more.

¹ Coinbase Derivatives, LLC. [Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Adoption of Coinbase Derivatives, LLC's Rules Governing Cash Settled Futures on Individual Equity Securities and Exchange-Traded Fund Shares, Including Perpetual Single](#). Securities and Exchange Commission (SEC). Exch. Act Rel. No. 106420. September 18, 2026; *see also*, Letter from Downey, Jane. Coinbase. [Letter to Christopher J. Kirkpatrick, CFTC](#). Coinbase Derivatives No. 2026-62. September 18, 2026.

² Kalshi EX. [Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Listing Standards for Security Futures Products](#). SEC. Exch. Act Rel. No. 106422. September 18, 2026; *See also*, Sottile, Xavier KalshiEX LLC. [Letter to Secretary, CFTC](#). September 18, 2026.

³ AFREF is a nonpartisan and nonprofit coalition founded by more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups and is dedicated to advocating for policies that shape a financial sector that serves workers, communities and the real economy, and provides a foundation for advancing economic and racial justice.

These under-regulated stock derivatives undermine liquidity, price discovery, and capital formation for companies, while also posing extraordinary new costs and risks to investors, pensions, workers saving for retirement, and other market participants.

The SEC and CFTC must first establish that these products are consistent with the federal securities laws and, if applicable, the Commodity Exchange Act, before considering their first-time approval of in the United States. The Commissions simply cannot make those determinations based on the current administrative records.

Accordingly, the SEC should immediately abrogate the filings and enforce federal securities laws against market participants who are failing to comply with them. As some of these or similar products are presently being illegally offered at venues under the jurisdiction of the Commodity Futures Trading Commission (CFTC), the SEC must work with the CFTC to rein in those offerings, and, if cooperation is not forthcoming, take independent action directly with regard to firms that are in violation of the federal securities laws to protect the integrity of the U.S. equity markets.

A. The administrative record fails to justify approval

Perpetual futures are complex derivatives that, unlike ordinary futures contracts, never expire. They are listed and traded for a wide range of assets around the world. Perpetual futures have historically been considered illegal by U.S. regulators, as they are inconsistent with the existing regulatory regimes for financial derivatives established by the Dodd-Frank Act.

In May, the CFTC abruptly reversed that position and explicitly approved a request by Kalshi to begin trading perpetual futures contracts in Bitcoin.⁴ The CFTC's very significant policy change was not made pursuant to a notice-and-comment rulemaking. Instead, it was negotiated entirely in secret. Kalshi submitted a request, and the CFTC approved it the same day – without any formal collection of the many relevant facts and essentially without any substantive analysis.

That CFTC action to permit perpetual futures contracts in the United States is rightly being challenged in court as inconsistent with the Commodity Exchange Act and the Administrative Procedure Act. That case is pending. Separately, it appears as though other perpetual futures contracts are now being sold in the United States, to people in the United States, or with the involvement of people in the United States with the implicit approval of the CFTC and the SEC.

The referenced Coinbase and Kalshi filings would expressly permit perpetual futures contracts for U.S. stocks without the full application of the applicable federal securities laws.

The agencies lack a sufficient administrative record to permit these filings to become effective. Moreover, rather than establishing that the products are consistent with the federal securities laws and the CEA, the available evidence strongly suggests the opposite. Further, perpetual futures for stocks would not just impose significant risks to those trading in the products, but also potentially catastrophic risks to the integrity, stability, and fair, orderly, and efficient operation of the U.S. public equity market.

⁴ Commodity Futures Trading Commission (CFTC). [Order Approving KalshiEX LLC BTCPerp Futures Contract](#). May 29, 2026.

B. Proposal to approve these perpetual futures for stocks will have extremely negative consequences for market integrity and stability.

As they currently exist and as contemplated, perpetual futures contracts for stocks will create significant equity market-wide integrity risks, because they are disconnected from other market integration rules, opening the door for manipulations and abuses. The products themselves are generally easy to game from a valuation and margin standpoint. The periodic rebalancing can be readily manipulated to shift who gets paid and how much. In this way, trading in a spot market could be easily used to generate significant profits (or losses) in potentially much larger perpetual futures contract positions. Perpetual futures contracts are not only relatively easy to manipulate but also are ready conduits for manipulating the underlying markets up or down.

Perpetual futures contracts also provide pathways to extreme market events, including massive cascading fire-sale loops. Typically, with other products, when investors trading with leverage face declining positions, their brokers may engage in warnings, the cessation of new credit extensions, margin calls, or even seized collateral and forced sales. In efforts to avoid catastrophic harm to customers or the markets in which they are exposed, brokers and those extending credit often provide time and flexibility to work through shortfalls. Sometimes, customer trading may give rise to brokers posting more collateral for their customers' trading. In these circumstances, there is again time allotted to manage risks and mitigate harms. However, these types of prudent catastrophe-avoiding risk management and regulatory actions would be generally impossible in the automated regime used for perpetual futures contracts.

The problems raised by perpetual futures are only exacerbated by the SEC and the CFTC failing to align their safeguards or even integrate their surveillance apparatus for stocks, stock derivatives, indexes, and index derivatives. The CFTC does not control surveillance systems that the SEC, FINRA, and securities exchanges utilize for the stock market, and these systems would not readily apply to CFTC regulated entities. With the above-referenced filings, single stock perpetual futures markets could be brought instantly onshore, without stitching them into the stock and stock derivatives markets. There are risks that are unique to operating outside of the SEC's framework, including that it would appear that the traditional customer protection rules (often implemented through broker restrictions on advertising, margin, and the like) may not apply.

Perpetual futures contracts in stocks may also divert capital away from the core cash markets—directly siphoning capital away from issuers and harming capital formation. Because perpetual futures, unlike stocks, may be offered by different firms, this could lead to essentially unlimited fragmentation of liquidity in assets tied to a single stock. When stocks are the underlying markets, the proliferation of perpetual futures contracts could lead to highly leveraged bets (in both directions) that could lead to wild price swings in the stocks, loss of issuer knowledge or control of its shareholder base, and other concerns. Put simply, it could ultimately provide a strong disincentive for firms to go public.

These concerns over the creation of a lightly-regulated derivatives market in their shares is part of the reason many sophisticated public company issuers have already opted out from the SEC's newly

created Innovation Exemption.⁵ The risks to investors, issuers, and markets are by far greater with perpetual futures contracts—as currently proposed and operating.

Further, because the trade and position reporting requirements and other market protections don't clearly apply in the same way, issuers and corporate insiders could essentially cash out and sell these products to raise capital (or exit) without having to register an offering of securities or becoming a public company. In this way, perpetual futures contracts could be used as a work around by insiders to cash out and offload their exposures without ever complying with public disclosure requirements or providing investors with basic rights, such as the right to sue for fraud or cast shareholder votes. These issues have been highlighted by the trading of perpetual futures contracts in SpaceX stock prior to its IPO.

If perpetual futures contracts for stocks are permitted to proceed as filed, market participants in the stock and stock derivatives markets will face significant new explicit and implicit costs and significant new risks. Investors, brokers, data providers, and other market participants who currently take data from and connect to registered securities exchanges would also have to connect to and access these less regulated trading centers for new products, but without the same protections as they have in the securities markets. They would face greater risks of manipulation, as the reporting and surveillance systems aren't integrated with those of the rest of the equity and equity derivatives markets. And they would face risks of greater volatility. These products can provide significant leverage (commonly up to 20x), which can lead not just to individual traders' extreme losses, but also to massive, exacerbated price swings. The SEC is obligated to make trading in securities markets consistent with the federal securities laws. It cannot make that determination on this record; it must clearly undertake significant fact gathering and analysis before it could do so. However, the record before the agency suggests that the products, as currently contemplated and operating, are affirmatively inconsistent with the law.

Several firms seeking to offer perpetual futures for stocks have filed N-1's with the SEC, seeking to piggyback their trading of security futures onto their non-securities or exempt security futures trading businesses regulated by the CFTC. However, those filings are inappropriate, as the perpetual futures contracts contemplated by these exchanges are facially not futures contracts. To the contrary, a perpetual futures contract for a single stock has the economics and structure of an equity swap. The Dodd-Frank Act mandates a wide range of rules for swaps and equity swaps—which the CFTC and SEC spent years developing and implementing.

The filings are essentially asking the agencies to ignore the law and the years of work the agencies have undertaken since the passage of Dodd-Frank Act to carefully construct robust, high-integrity derivatives markets, and instead allow for the creation of new stock derivatives that comply with neither the rules for stocks nor the rules for all other stock derivatives. The SEC cannot abdicate its responsibilities and simply permit the CFTC—which has no legal authority over stocks—to act as the primary regulator for products with such direct impacts on stocks.

It is worth remembering that former Chairman Jay Clayton once insisted that a designated contract markets (DCM)-listed futures product be pulled from the market until the SEC could make its own

⁵ See, Light, Joe. “[Companies are saying no to tokenized stocks—and testing Wall Street’s crypto push.](#)” *Barron’s*. October 16, 2026; OKXICE TSV. [Public Notice of TSV Exemption](#). October 15, 2026.

determination on whether and how to permit it after the SEC became aware of the product being traded on CFTC-regulated DCMs without the separate, proper approval of the SEC.

Lastly, it is worth noting that much of the problem with the perpetual futures contracts stems from the broken regulatory processes through which Designated Contract Markets and, to a lesser extent, registered securities exchanges bring products to market. While the CFTC is statutorily obligated to ensure DCM's rules and products are consistent with the CEA and the Core Principles, the agency has effectively abdicated that responsibility. While the SEC's analogous process is also far-too-deferential to self-interested exchanges' determinations, at least the agency gathers all filings, sets for very specific requirements for those filings, publishes all filings for public comment, and has established, formal processes to pause them while it investigates to make further determinations to approve or disapprove them. None of that is standard practice at the CFTC.

Experts have long pressed the CFTC and the SEC to reform their procedures for DCM and exchange rule changes, including for new products, to better protect investors and other market participants from self-interested, profit-motivated filings by self-regulatory organizations that are inconsistent with the law and their rules.⁶ Change is long overdue.

For these reasons, the SEC should abrogate both of these proposals, as they would create significant upheaval to U.S. capital markets upon which millions of workers saving for retirement, retail investors, and businesses rely. Separately, the CFTC should reject the filings as inconsistent with the CEA, in part, because they are for the offer and sale of securities and clearly outside of its regulatory authority. While the SEC and the CFTC have a process for permitting security futures products, that process is not applicable here, as the products identified are—despite⁷ the chosen name—not futures contracts either by economics or under the law.

Americans for Financial Reform Education Fund appreciates the opportunity to submit comments in response to this notice.

Sincerely,

Americans for Financial Reform Education Fund

⁶ See, Gellach, Tyler. Healthy Markets Association. [Letter to Heath Tarbert, CFTC](https://healthymarkets.org/wp-content/uploads/2020/12/CME-Historical-Data-12-11-2020-4.pdf)<https://healthymarkets.org/wp-content/uploads/2020/12/CME-Historical-Data-12-11-2020-4.pdf>. December 11, 2020. The letter states that “The Commission should promptly revise Rule 40.6 to ensure that all rules changes by Designated Contract Markets are reviewed and considered by the Commission for compliance with the Commodity Exchange Act and Commission regulations (whether adopted pursuant to self-certification or not).”

⁷ In fact, the lack of transparency in the CFTC's processes has even made preparing this submission exceedingly difficult.