

August 18, 2026

VIA ELECTRONIC SUBMISSION

Ms. Vanessa Countryman
Secretary of the Commission
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: IPO Modernization (File No. CLL-16)

Dear Ms. Countryman:

Hyperliquid Policy Center (“HPC”) and XYZ Ltd. (“trade[XYZ]”) appreciate the opportunity to respond to the U.S. Securities and Exchange Commission’s (“SEC” or the “Commission”) request for comment on IPO modernization that Chairman Atkins announced at the Stanford Rock Center for Corporate Governance on May 26, 2026.¹ HPC is an independent research and advocacy organization dedicated to advancing a clear, regulated path for Americans to access onchain markets, including those available on Hyperliquid.² trade[XYZ] is the largest deployer of perpetual derivatives markets under Hyperliquid Improvement Proposal 3 (“HIP-3”), the framework through which independent builders define and deploy perpetual markets on the Hyperliquid blockchain. trade[XYZ]’s markets include perpetuums referencing equity indices, single-name equities, commodities, foreign exchange, and exchange-traded funds.

In May 2026, trade[XYZ] deployed its first pre-IPO perpetual (“IPOP”), a cash-settled derivative that references the anticipated public listing of a private company in the weeks immediately preceding that listing.³ trade[XYZ] deploys IPOPs in a limited window, typically only once an issuer is in the registered filing process. In that window, a transparent pre-listing market surfaces demand and produces pricing information that benefits market participants and non-participants alike, including issuers and investors setting and evaluating offering prices. We submit this comment letter because we share the Chairman’s view that the IPO process requires modernization. IPOPs are a novel derivative product that can supplement the IPO process by

¹ Paul S. Atkins, Chairman, U.S. Sec. & Exch. Comm’n, *Remarks at the Stanford Rock Center for Corporate Governance* (May 26, 2026), <https://www.sec.gov/newsroom/speeches-statements/atkins-052626-remarks-stanford-rock-center-corporate-governance>.

² See Hyperliquid Policy Center, *About*, <https://hyperliquidpolicy.org/about> (last visited Aug. 16, 2026).

³ trade[XYZ], *Pre-IPO Perpetuums (IPOPs)*, <https://docs.trade.xyz/asset-directory/pre-ipo-perpetuums-ipops> (last visited Aug. 16, 2026); trade[XYZ], *Specification Index (IPOPs)*, <https://docs.trade.xyz/consolidated-resources/specification-index-ipops> (last visited Aug. 16, 2026).

surfacing a continuous public price in the weeks before a listing, giving issuers, underwriters, and investors valuable pricing information ahead of an anticipated public listing.

This comment letter proceeds in four parts:

- **Part I** addresses the problems the Chairman has identified with the current IPO process. These are problems HPC and trade[XYZ] agree warrant the modernization effort now underway. Fewer companies go public, retail investors are excluded from pre-IPO value creation, IPO underpricing leaves issuer proceeds uncaptured, and the existing channels for pre-IPO exposure, principally SPV-based secondary markets, carry documented limitations.
- **Part II** describes the Hyperliquid blockchain and the HIP-3 deployer framework, the infrastructure on which IPOPs operate. Trading is fully onchain and non-custodial. Independent deployers such as trade[XYZ] define and deploy markets, and Hyperliquid provides trade execution, clearing, and settlement infrastructure.
- **Part III** explains the IPOP instrument and its price discovery record. An IPOP is a cash-settled perpetual derivative that trades on the anticipated share price of a company approaching a public listing. It conveys no shares, no allocation, and no claim against the issuer, and it is time-limited by design. In each of the five completed IPOP markets, the instrument produced a continuous, public price signal that converged closely on the opening cross price (*i.e.*, the price at which the first trades in a newly listed equity execute). In the four U.S. listings, that signal identified underpricing worth billions of dollars in forgone issuer proceeds.
- **Part IV** identifies five items for the Commission’s consideration as part of its efforts to modernize the IPO process and its coordination with the Commodity Futures Trading Commission (“CFTC”) on perpetual products, including product classification, the appropriate disclosure framework, listing eligibility guardrails, investor access, and market integrity.

I. The IPO Process Requires Modernization

HPC and trade[XYZ] share the Chairman’s assessment that the U.S. IPO process requires modernization. The number of publicly listed companies has declined by roughly 40 percent since the mid-1990s, from more than 7,800 to approximately 4,700.⁴ Companies that once pursued an IPO at the equivalent of a modern Series B or C round now routinely delay until Series E or later, if they go public at all.⁵ The most innovative American companies build the bulk of their value while private, funded by an increasingly concentrated venture capital industry

⁴ See Paul S. Atkins, Chairman, U.S. Sec. & Exch. Comm’n, *Revitalizing America’s Markets at 250* (Dec. 2, 2025), <https://www.sec.gov/newsroom/speeches-statements/atkins-120225-revitalizing-americas-markets-250>; Letter from Mike Flood, Senior Vice President, Ctr. for Capital Mkts. Competitiveness, U.S. Chamber of Com., to Members of the S. Comm. on Banking, Hous., & Urb. Affs. (Apr. 13, 2026), <https://www.uschamber.com/finance/support-for-capital-formation-legislation>.

⁵ Paul S. Atkins, Chairman, U.S. Sec. & Exch. Comm’n, *Remarks at the Small Business Capital Formation Advisory Committee Meeting* (Apr. 28, 2026), <https://www.sec.gov/newsroom/speeches-statements/atkins-042826-remarks-small-business-capital-formation-advisory-committee-meeting>.

accessible only to accredited investors and institutional allocators.⁶ By the time most IPOs occur, the most significant period of value creation has passed, and retail participants buying at the end of the growth curve provide exit liquidity to insiders who capture a majority of the upside.⁷

Even when IPOs occur, retail access to allocations remains constrained. As one former Commissioner has recognized, retail investors typically lack access to underpriced share allocations offered by investment banks and therefore miss out on first-day returns, while the same underpricing forces issuers to leave real money on the table.⁸ That trend has continued in recent, highly anticipated public offerings. The Cerebras IPO in May 2026 was oversubscribed by more than 20 times, forcing underwriters to raise the pricing range twice.⁹ The SK Hynix American Depositary Share (“ADS”) offering in July 2026 was the largest U.S. listing by a foreign company in history and seven times oversubscribed.¹⁰ The problem extends to overseas markets, exemplified by ChangXin Memory Technologies’ Shanghai offering, which was 212 times oversubscribed, and Unitree Robotics’ STAR Market offering, which drew retail subscription demand exceeding 8,000 times the available shares ahead of its planned listing.¹¹

The Chairman has proposed reforms that address the regulatory frictions discouraging companies from going public, including semiannual reporting, registered offering reform, filer status reform, and modernization of the gun-jumping rules. HPC and trade[XYZ] support these efforts. We write to highlight a complementary development. Once an issuer is in the filing process, a transparent pre-listing market reveals demand and produces pricing information that benefits participants and non-participants alike. Issuers gain an independent read on demand before locking in an offering price and the public gains informative pricing information where none currently exists.

⁶ Paul S. Atkins, Chairman, U.S. Sec. & Exch. Comm’n, *Remarks at the 45th Annual Small Business Forum* (Mar. 9, 2026), <https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-small-business-forum-030926> (noting that in the first seven months of 2025, roughly 40 percent of all venture capital dollars flowed to just 10 companies).

⁷ Mark T. Uyeda, Comm’r, U.S. Sec. & Exch. Comm’n, *Remarks to the Small Business Capital Formation Advisory Committee* (Apr. 28, 2026), <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-sbcfac-042826>.

⁸ Robert J. Jackson, Jr., Comm’r, U.S. Sec. & Exch. Comm’n, *The Middle-Market IPO Tax*, Remarks at the Greater Cleveland Middle Market Forum (Apr. 25, 2018), <https://www.sec.gov/newsroom/speeches-statements/jackson-middle-market-ipo-tax> (“The big first-day returns are meant to reward institutional investors who sign up to participate in IPOs. But retail investors rarely get in on those returns—and the first-day pop forces the entrepreneurs who are selling stakes in their companies to leave real money on the table.”); Robert J. Jackson, Jr., Comm’r, U.S. Sec. & Exch. Comm’n, *Data Appendix/Methodology: The Middle-Market IPO Tax* (Apr. 25, 2018), <https://www.sec.gov/news/speech/2018/ipo-data-appendix.pdf>.

⁹ See Echo Wang, *Exclusive: Cerebras to Raise IPO Price Range to \$150-\$160 as Demand Surges, Sources Say*, Reuters (May 10, 2026), <https://www.reuters.com/legal/transactional/cerebras-raise-ipo-price-range-150-160-demand-surges-sources-say-2026-05-10/>.

¹⁰ See JJ Kinahan, *Traders Focused on SK Hynix’s Nasdaq Debut*, Cboe Insights (July 10, 2026), <https://www.cboe.com/insights/posts/traders-focused-on-sk-hynixs-nasdaq-debut>.

¹¹ See Bloomberg News, *CXMT’s Marquee IPO 212 Times Oversubscribed by Retail Investors*, Bloomberg (July 16, 2026), <https://www.bloomberg.com/news/articles/2026-07-16/cxmt-s-blockbuster-ipo-212-times-covered-for-retail-investors>; Ethan Wang & Ryan Woo, *Unitree’s Shanghai IPO More Than 8,000 Times Oversubscribed by Retail Investors*, Reuters (Aug. 10, 2026), <https://www.reuters.com/world/asia-pacific/unitrees-shanghai-ipo-more-than-8000-times-oversubscribed-by-retail-investors-2026-08-10/>.

At present, the principal channel for pre-IPO exposure is the secondary market in private company shares, accessed primarily through special purpose vehicles (“SPVs”). That market reflects deep investor demand, illustrated most recently by SpaceX, where at least 170 SPVs sold interests to thousands of investors prior to its IPO.¹² SPVs deliver what many of these investors want, an ownership stake in a private company, and they operate within constraints that follow from that design. SPV interests typically depend on a transfer of restricted shares, so fees layer across stacked vehicles, lockups can run indefinitely, and the investor’s position relies on a transfer that the issuer may never permit or recognize.¹³ Pre-IPO offerings that promise ownership in private companies have also proven ripe for fraud and investor abuse.¹⁴

Although IPOP can serve similar investor demand for pre-IPO exposure, they do so through a different instrument structure that serves a distinct purpose in the market. They are not a replacement for actual equity ownership, nor are they intended to replace the public offering process. Part III describes the IPOP instrument and the structural distinctions from other existing pre-IPO investment products.

¹² See Phoebe Liu, *Inside the Murky Market Selling Pre-IPO SpaceX and OpenAI Shares*, Forbes (May 26, 2026), <https://www.forbes.com/sites/phoebeliu/2026/05/26/inside-the-murky-market-selling-pre-ipo-spacex-and-openai-shares/>; Erin Griffith & Ryan Mac, *How Do So Many People Already Own Elon Musk’s SpaceX?*, N.Y. Times (May 1, 2026), <https://www.nytimes.com/2026/05/01/technology/elon-musk-spacex-private-company-stock.html> (reporting that at least 170 SPVs bought into SpaceX).

¹³ See David F. Larcker, Brian Tayan & Edward Watts, *Cashing It In: Private-Company Exchanges and Employee Stock Sales Prior to IPO*, Stanford Closer Look Series (Sept. 12, 2018), <https://www.gsb.stanford.edu/sites/default/files/publication-pdf/cgri-closer-look-73-private-company-exchanges.pdf> (finding that 56 percent of surveyed private companies do not permit employees to sell or pledge vested equity at all). See also Anthropic, *Unauthorized Anthropic Stock Sales and Investment Scams*, <https://support.claude.com/en/articles/13704655-unauthorized-anthropic-stock-sales-and-investment-scams> (first published Feb. 11, 2026); OpenAI, *Unauthorized OpenAI Equity Transactions* (July 16, 2025), <https://openai.com/policies/unauthorized-openai-equity-transactions/>.

¹⁴ See, e.g., OIEA, *Pre-IPO Investment Scams - Investor Alert* (June 7, 2024), <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-alerts/investor-48>. Recent enforcement activity includes charges against a boiler room operator and three entities for defrauding retail investors of \$74 million in a pre-IPO investment scam (August 2026), actions against three individuals for raising more than \$184 million through pre-IPO fraud schemes (June 2024), emergency relief halting pre-IPO stock fraud by an unregistered broker-dealer (June 2023), and charges against five unregistered brokers in a widespread pre-IPO fraud scheme (December 2023). See Press Release, U.S. Sec. & Exch. Comm’n, SEC Charges Boiler Room Operator and Three Entities with Defrauding Retail Investors in \$74 Million Pre-IPO Investment Scam (Aug. 14, 2026), <https://www.sec.gov/newsroom/press-releases/2026-75-sec-charges-boiler-room-operator-three-entities-defrauding-retail-investors-74-million-pre-ipo>; Press Release, U.S. Sec. & Exch. Comm’n, SEC Charges Three New Yorkers for Raising More Than \$184 Million Through Pre-IPO Fraud Schemes (June 7, 2024), <https://www.sec.gov/newsroom/press-releases/2024-69>; Press Release, U.S. Sec. & Exch. Comm’n, SEC Obtains Emergency Relief to Halt Pre-IPO Stock Fraud Scheme by Unregistered Broker-Dealer (June 27, 2023), <https://www.sec.gov/newsroom/press-releases/2023-119>; Press Release, U.S. Sec. & Exch. Comm’n, SEC Charges Five Unregistered Brokers, Four Companies in Widespread Pre-IPO Fraud Scheme (Dec. 7, 2023), <https://www.sec.gov/newsroom/press-releases/2023-245>.

II. Hyperliquid and the HIP-3 Deployer Framework

This Part describes the infrastructure on which IPOPs operate: the Hyperliquid blockchain, the HIP-3 framework through which independent builders deploy their own perpetual markets, and trade[XYZ]’s role as a deployer.

A. Hyperliquid as trade execution, clearing, and settlement infrastructure

Hyperliquid is a general-purpose layer-one blockchain built from three components:

- **HyperBFT**, the consensus mechanism: orders and finalizes transactions across a decentralized validator set, giving the network a single authoritative ledger with one-block finality.
- **HyperCore**, the native execution environment: contains the chain’s financial state, including fully onchain central limit order books together with the margin, funding, liquidation, clearing, and settlement logic for every listed market.
- **HyperEVM**, a general-purpose smart contract environment: supports third-party applications and shares consensus and state with HyperCore.¹⁵

HyperCore’s market functions are written into the chain’s state-transition logic and enforced through validator consensus. Orders match in price-time priority and every order, cancel, trade, liquidation, and funding payment is recorded on a publicly accessible ledger that is updated in real time.

Fully onchain systems offer tangible benefits for the transaction lifecycle. On Hyperliquid, a trade executes, clears, and settles in one state transition, against prefunded collateral. Because the assets, positions, and collateral involved in a transaction are recorded on the same ledger that executes it, every step of the transaction completes, or none does. No interval exists in which one party has performed and the other has not, no settlement window accumulates counterparty risk, and no reconciliation is required between a trading venue’s records and those of a separate settlement system, because there is only one authoritative ledger. A July 2026 IMF working paper on tokenized market infrastructure recognizes these as core advantages of moving clearing and settlement functions onchain, finding that deterministic, rules-based functions, including record-keeping, settlement, collateral transfer, and margining, are well suited to onchain execution, and that recording assets, positions, and collateral on a single ledger permits the transaction lifecycle to execute atomically.¹⁶

¹⁵ Hyperliquid Documentation, *About Hyperliquid*, <https://hyperliquid.gitbook.io/hyperliquid-docs/about-hyperliquid>, and *HyperCore: Overview*, <https://hyperliquid.gitbook.io/hyperliquid-docs/hypercore/overview> (last visited Aug. 16, 2026). Protocol mechanics described in this Part are drawn from the protocol’s public documentation as of August 16, 2026.

¹⁶ See Yaiza Cabedo, Tommaso Mancini-Griffoli, Fabian Schär & Nicolas Zhang, *The Evolution of Financial Market Infrastructures in a Tokenized Economy* 3, 20–23 (IMF Working Paper No. WP/26/136, July 2026), <https://www.imf.org/-/media/files/publications/wp/2026/english/wpica2026136-source-pdf.pdf>.

Hyperliquid supplies execution, clearing, and settlement as neutral infrastructure. The protocol takes no positions, extracts no spread, and applies the same rules to every participant and every application built on it, of which perpetual derivatives markets are one. Trading is non-custodial throughout—users post collateral from self-custodial wallets and sign every transaction with their own keys; no omnibus account exists, and no intermediary holds or can unilaterally move user funds at any point from deposit through withdrawal. The ledger is also fully transparent. Every order, price update, and settlement is publicly observable and independently verifiable in real time, by users confirming their own positions, by researchers and market participants analyzing market quality, and by regulators, who can verify activity directly onchain rather than through records extracted and prepared by a centralized system operator.¹⁷

B. HIP-3 and the Deployer Role

HIP-3, live on mainnet since October 2025, is the framework through which independent builders (referred to as “deployers”) design and deploy their own perpetual markets using the base layer described above.¹⁸ Each HIP-3 deployment is a distinct market with its own order books, margin accounting, and deployer-configured parameters, and every HIP-3 market inherits Hyperliquid’s execution, order matching, clearing, and settlement infrastructure directly from the chain’s state-transition logic. The deployer builds on that infrastructure and cannot modify it. To date, HIP-3 builder-deployed markets have accumulated more than \$450 billion in cumulative trading volume and sustain nearly \$4 billion in open interest across equities, indices, and commodities.¹⁹

HIP-3 divides market functions between the deployer and the protocol. The deployer defines markets by determining which assets are listed and selects oracle sources, configures contract specifications, and transmits oracle price updates to HyperCore approximately every 3 seconds. Each deployer also establishes leverage limits, margin modes, and open interest caps for each market. In extraordinary circumstances, deployers also retain the ability to halt trading, with all positions settling to the protocol-computed mark price. Most other traditional market functions are inherited directly from Hyperliquid, with HyperCore providing trade execution, order matching, margin enforcement, funding payment execution, liquidation, and settlement functionality. All trading fees are collected programmatically at the point of execution and allocated automatically between the protocol and the deployer, meaning that the deployer never handles user funds at any point. All deployer actions, including every oracle update, parameter change, and halt, are recorded onchain and independently auditable by any observer.

¹⁷ *Id.* at 14 (noting that regulators in conventional market structures rely on data extracted and prepared by the ledger operator, whereas a shared ledger permits direct onchain verification, improving consistency and reducing opportunities for fraud).

¹⁸ Hyperliquid Documentation, *HIP-3: Builder-Deployed Perpetuals*, <https://hyperliquid.gitbook.io/hyperliquid-docs/hyperliquid-improvement-proposals-hips/hip-3-builder-deployed-perpetuals> (last visited Aug. 16, 2026). HIP-3 specifications described in this Part are drawn from the protocol’s public documentation.

¹⁹ See ASXN, *HIP-3 Markets Overview*, ASXN Hyperliquid Dashboard, <https://hyperscreener.asxn.xyz/hip3markets/overview> (last visited Aug. 16, 2026) (reporting cumulative trading volume and open interest across HIP-3 markets).

C. trade[XYZ]

trade[XYZ] deployed the first HIP-3 markets in October 2025, and its markets have since grown to account for the substantial majority of HIP-3 open interest and volume. trade[XYZ] markets provide 24/7 trading in perpetuals referencing equity indices (including the first S&P 500 perpetual licensed by S&P Dow Jones Indices),²⁰ single-name equities, commodities, foreign exchange, and ETFs, using a continuous oracle system that derives pricing from institutional data sources when underlying markets are open and from an algorithm anchored to actual trade[XYZ] order book activity when they are closed.

Among the markets trade[XYZ] has deployed are pre-IPO perpetuals (IPOP), time-limited markets referencing the anticipated public listings of private companies. As Part III describes, these instruments are novel, and the early record shows them producing continuous, accurate pre-listing price discovery of a kind the IPO process has never had.

These innovative products, however, remain unavailable to Americans. No trade[XYZ] market is offered to U.S. persons, and the trade.xyz interface applies geoblocking, wallet screening, and related access controls for U.S. users and other restricted jurisdictions. We submit this comment letter to offer our perspective on the benefits these markets provide and on the threshold regulatory questions the Commission would need to resolve to bring them to the United States.

III. Pre-IPO Perpetuals

A. Product Mechanics

An IPOP is a cash-settled perpetual derivative that references the anticipated public equity of a private company approaching a listing. The contract trades on share price, rather than market capitalization, and settles in USDC, a USD-backed stablecoin. Holding an IPOP conveys no shares, no IPO allocation, no tokenized equity, and no claim of any kind against the referenced issuer. The holder receives no ownership interest, no voting rights, no dividend entitlements, and no primary-market allocation rights. The position is synthetic price exposure and nothing more.²¹

This structure differs from the SPV-based secondary market described in Part I and the two products serve different purposes and needs. An SPV delivers ownership in exchange for investment in the issuer, and the value of that interest depends on an underlying share transfer, so it carries the fee, lockup, and issuer-recognition mechanics that accompany that transfer. An IPOP delivers price exposure and involves no share transfer. An investor who wants to own a piece of a company needs shares to change hands; an investor who wants price exposure to an imminent listing needs only a price.

Because no public price exists for the referenced equity before listing, an IPOP market cannot rely on an “external” source that prices standard trade[XYZ] perpetuals during reference market hours. Each IPOP market launches at a discretionary reference price set by the deployer. This price serves as the initial anchor for the market’s discovery bounds and is disclosed as a

²⁰ See *TradeXYZ Launches Pre-IPO Perpetuals*, The Defiant (May 1, 2026), <https://thedefiant.io/news/defi/tradexyz-launches-pre-ipo-perpetuals>.

²¹ trade[XYZ], *supra* note 3.

starting value rather than a forecast of any listing price. The market may also display an initial reference share count and implied reference market capitalization, both indicative only.

From launch, the market trades on the trade[XYZ] “internal” oracle mechanism, the same methodology that prices standard trade[XYZ] perpetuals when underlying reference markets are closed. The oracle price advances through a 30-minute exponentially weighted moving average driven by the impact price difference observed on the IPOP order book, so the published price reflects actual resting liquidity rather than any single trade. Funding is typically damped to 1 percent of the standard trade[XYZ] funding calculation during the pre-listing phase, and discovery bounds and open interest caps constrain price velocity and aggregate exposure throughout.²²

An IPOP’s lifecycle is deliberately limited. Each IPOP market is configured at launch with an anticipated listing date and a listing grace period. When the referenced issuer completes its listing, the contract converts into a standard, externally priced trade[XYZ] perpetual, typically in the first regular session after listing once external market data is sufficient to support standard oracle pricing, with continuous exposure and the standard funding calibration restored. If the listing is postponed beyond the grace period without credible guidance of a revised near-term date, the market resolves through alternative settlement. The default alternative settlement price is a time-weighted average of the IPOP price from market launch through settlement, measured as of the settlement decision so that no participant can trade to influence the value once the decision is public. Predefined market-specific rules address transaction events that establish a price in lieu of a listing (*e.g.*, an acquisition or take-private), adverse events that foreclose the expected listing, and non-standard listing outcomes such as a depositary receipt listing or a listing on a foreign exchange, which may be treated as a conversion with an adjusted reference asset, a settlement trigger, or a composite of the two.²³

The first IPOP market illustrates a typical timeline:

- **April 17, 2026:** Cerebras filed its public S-1;
- **May 1, 2026:** trade[XYZ] deployed the CBRS IPOP; and
- **May 14, 2026:** Cerebras listed on Nasdaq, at which point the CBRS IPOP converted to a standard trade[XYZ] perpetual market.

The market existed as a pre-IPO instrument for just 13 days. The SK Hynix, Quantinuum, CXMT, and SpaceX markets existed as IPOPs for just 1, 7, 12, and 25 calendar days, respectively.

As deployed by trade[XYZ], an IPOP is a short-duration price discovery instrument tied to an expected public listing, with disclosed conversion and settlement mechanics. It is a limited use case by design. The alternative settlement architecture exists expressly to prevent an IPOP market from continuing indefinitely when a listing is repeatedly or significantly delayed, and the

²² trade[XYZ], *supra* note 3.

²³ trade[XYZ], *supra* note 3.

instrument's economic function ends when the referenced company lists. Accordingly, an IPOP is not designed to, and cannot, become a standing synthetic market in private company equity.

B. Price Discovery Benefits

A principal contribution of IPOPs to the IPO process is informational. In the weeks before a listing, the only price signals available to an issuer are the underwriter-led bookbuild, which is private, and sporadic secondary transactions on closed venues, which are stale, thin, and unobservable to the public. An IPOP market adds a continuous, public, real-time price against which any market participant, including the issuer and its underwriters, can evaluate a proposed range. The Chairman has observed that public markets facilitate price discovery in ways that private secondary markets cannot duplicate.²⁴ An IPOP extends that price discovery function into the pre-listing window without supplanting the offering itself.

IPOP price discovery also addresses a structural gap in direct listings. A direct listing lacks an underwriter-led bookbuild, and the absence of a pre-listing price formation mechanism has been a persistent structural criticism of the format. A liquid IPOP market producing continuous, transparent pricing in the weeks before a direct listing supplies exactly the input the direct listing process lacks, at no cost to the issuer.

An IPOP supplements the IPO; it is not a substitute for it. An IPOP terminates at listing, raises no capital, allocates no shares, and cannot function as a prolonged substitute market that diminishes the pressure to go public. The instrument has value only because a listing is imminent, which aligns with the Commission's objective of more companies going public, sooner.

C. Underpricing and Issuer Proceeds

The strongest evidence of the IPOP's informational value is what mispriced offerings cost issuers. In each of the four U.S. listings referenced by a completed IPOP market, the offering priced 10.8 to 38.4 percent below the IPOP's price the day before, and each stock opened 11.1 to 89.2 percent above its offering price. The difference is capital the issuer raised for less than the market was prepared to pay. SpaceX sold approximately 555.6 million shares at \$135; at the \$150 opening price, those shares were worth roughly \$8.3 billion more than the offering raised. SK Hynix's \$26.5 billion offering priced at \$149 per ADS and opened at \$170, a gap of roughly \$3.7 billion. Cerebras priced at \$185 and opened at \$350, leaving nearly 90 cents of additional proceeds uncaptured for every dollar it raised. Financial economists have documented this pattern for decades as money left on the table, and a former Commissioner has connected it directly to the costs of going public.²⁵ Some of that premium is deliberate. Underpricing rewards underwriters who reveal strong demand during the bookbuild, and the first-day "pop" can help support aftermarket demand, and issuers have long accepted it for those reasons.

Underpricing at the scale seen in some recent offerings, however, reflects an information constraint. The bookbuild aggregates demand privately, indications of interest are nonbinding, and no continuous market-clearing price exists against which the parties pricing an offering can

²⁴ Atkins, *supra* note 1.

²⁵ Tim Loughran & Jay R. Ritter, *Why Don't Issuers Get Upset About Leaving Money on the Table in IPOs?*, 15 Rev. Fin. Stud. 413 (2002), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=243145; see also Jackson, *supra* note 8.

check a proposed range. An IPOP supplies that price. Several of the IPOP markets described below identified the gap between the proposed range and market demand in the weeks and days before the offering, publicly and in real time. Access to pre-IPO price expectations can help issuers and underwriters more efficiently price offerings closer to expected demand.

D. Case Studies: Cerebras, Quantinuum, SpaceX, SK Hynix, and CXMT

Five IPOP markets have completed their full lifecycle, revealing two early patterns. First, IPOP prices converged toward the opening cross accurately. Just before each stock started trading, the IPOP's price was within 0.44 percent to 7.23 percent of the price at which the stock opened. Second, the IPOP showed that every company underpriced its IPO. In each of the four U.S. listings the IPO price came in 10.8 percent to 38.4 percent below where the IPOP was trading the day before, and every stock then opened 11.1 percent to 89.2 percent above its IPO price. The fifth market, referencing the listing of CXMT on the Shanghai STAR Market, showed the same pattern in the extreme. The stock opened 472 percent above its offer price,²⁶ and the IPOP had traded at a multiple of the offer price from its first session. For each market, the IPOP identified these trends before the stock opened.²⁷

Cerebras (May 2026). The CBRS IPOP began trading on May 1, 2026, at a starting price of \$175, 13 days before Cerebras listed on Nasdaq. Underwriters first told investors to expect \$115 to \$125 a share, then raised that to \$150 to \$160 as orders came in at more than 20 times the shares available. They set the IPO price at \$185—above even the raised range, and 36 percent below the \$289 at which the IPOP was trading on the day before the listing.²⁸ The stock opened at \$350, 89.2 percent above the IPO price. The IPOP's last hourly price before trading opened was \$342.16, within 2.24 percent of where the stock opened, and the stock's \$311.07 close on its first day was within 7.1 percent of the IPOP's price the day before. Liquidity concentrated where the informational value was highest. Trading volume hit \$281 million on listing day, about six times all the trading in the IPOP's prior 13 days combined, and median bid-ask spreads compressed from 1.04 percent on the first day to 0.26 percent on the eve of the IPO and 0.07 percent once Nasdaq supplied an external reference. The CBRS IPOP transitioned to a standard trade[XYZ] perpetual on May 14, 2026.²⁹

Quantinuum (June 2026). The QNT IPOP began trading on May 28, 2026, seven days before Quantinuum's June 4 Nasdaq listing. The offering was the first traditional IPO by a full-stack quantum computing company. Underwriters first told investors to expect \$45 to \$50 a share, then raised that to \$53 to \$55, yet the IPOP was already trading in the \$90s, a sign of demand far above either range. Quantinuum increased the size of the deal and set the IPO price at \$60, above the raised range, and the stock opened at \$68, 13.3

²⁶ See *China Memory Chipmaker CXMT's Shares Soar in a Blockbuster Share Listing in Shanghai*, NBC News (July 27, 2026), <https://www.nbcnews.com/world/asia/china-memory-chipmaker-cxmt-shares-soar-blockbuster-share-listing-rcna589387>.

²⁷ See *Pre-IPO Discovery*, <https://hl.eco/ipop> (last visited Aug. 16, 2026).

²⁸ Wang, *supra* note 9.

²⁹ See @tradexyz, *CBRS has transitioned from an IPOP market*, X (May 14, 2026), <https://x.com/tradexyz/status/2054978636231401673>.

percent above the IPO price.³⁰ The IPOP was directionally correct but overshot the level. It corrected sharply as the listing approached, falling from \$97.43 the day before to \$72.92 just before trading opened—7.23 percent above where the stock actually opened—and the stock ended its first day at \$60.38, right back at the IPO price. Even this, the widest miss of the group, kept the IPOP’s final price within 7.23 percent of where the stock opened, and it shows price discovery working in both directions, with the market moving to correct itself as new information arrived and the listing drew closer. The QNT IPOP transitioned to a standard trade[XYZ] perpetual on June 4, 2026.³¹

SpaceX (June 2026). The SPCX IPOP began trading on May 18, 2026, following SpaceX’s April 1 confidential filing, at a starting price of \$150. SpaceX listed on June 12 in the largest IPO in history, selling about 555.6 million shares at a set price of \$135 (the filings specified no price range at all) for a valuation of roughly \$1.77 trillion, and the trade[XYZ] IPOP was the first continuous public price signal for the deal.³² Ahead of the listing, SPCX contracts across venues held more than \$215 million in open positions and had traded \$2.2 billion in total, with Hyperliquid serving as the main venue. The market never accepted the \$135 price. The IPOP was at \$172.84 the day before trading began; the stock then opened at \$150, 11.1 percent above the IPO price, and within 5.06 percent of the IPOP’s \$157.59 price just before trading opened. The stock’s first-day close of \$160.95 was within 7.4 percent of the IPOP’s price the day before. Buyers and sellers were active the whole time. Even though the IPOP traded above the eventual IPO price, the cost of holding a long position (*i.e.*, the funding rate) stayed flat to slightly negative—a sign that many investors were betting on a decline or hedging, not simply wagering the price would keep rising. The SPCX IPOP transitioned to a standard trade[XYZ] perpetual on June 12, 2026.³³

SK Hynix (July 2026). The SKHY IPOP referenced one SK Hynix American Depositary Share (ADS)—the U.S.-traded form of the company’s Seoul-listed stock—and began trading one day ahead of the company’s July 10, 2026 Nasdaq listing, a \$26.5 billion offering that was the largest U.S. listing by a foreign company in history and was seven times oversubscribed.³⁴ The offering priced at \$149 per ADS, 10.8 percent below the IPOP’s \$167.05 last close before the debut, and the stock opened at \$170. The IPOP grew more accurate as the listing approached: \$164.79 three hours out (3.06 percent below), \$168.37 one hour out (within 0.96 percent), \$169.32 fifteen minutes out (within 0.40 percent), and \$169.26 in its last reading a minute before the stock opened (within 0.44 percent). By comparison, the pre-open indications reported by traditional outlets pointed

³⁰ See *Quantinuum Closes Flat in Nasdaq Debut, After Upsized Offering*, CNBC (June 4, 2026), <https://www.cnbc.com/2026/06/04/quantinuum-qnt-stock-first-trade-ipo.html>.

³¹ See @tradexyz, *QNT has transitioned from an IPOP market*, X (June 4, 2026), <https://x.com/tradexyz/status/2062594799388295575>.

³² Lora Kolodny and Ari Levy, *SpaceX Raising \$75 Billion in Record-Setting IPO as Nasdaq Debut Awaits*, CNBC (June 11, 2026), <https://www.cnbc.com/2026/06/11/spacex-raises-75-billion-in-record-setting-ipo-ahead-of-nasdaq-debut.html>.

³³ See @tradexyz, *SPCX has transitioned from an IPOP market*, X (June 12, 2026), <https://x.com/tradexyz/status/2065464015053074886>.

³⁴ See Kinahan, *supra* note 10.

to an open near \$174—a 2.4 percent miss.³⁵ The market added a second price discovery function after conversion. Because the Nasdaq-listed ADS and the underlying Seoul-listed common share have no overlapping trading hours, no arbitrage window exists in traditional markets to align the two prices. The SKHY perpetual trades continuously alongside trade[XYZ]’s separate perpetual on the Seoul line, producing the first observable, tradeable market in the ADS premium itself. The SKHY IPOP transitioned to a standard trade[XYZ] perpetual on July 10, 2026.³⁶

CXMT (July 2026). The CXMT IPOP began trading on July 15, 2026, reflecting the market-implied value of one ordinary share (A-share) of ChangXin Technology Group Co., Ltd. in USD terms.³⁷ trade[XYZ] deployed the market on the day CXMT, China’s leading DRAM maker, began taking investor orders for its listing on the Shanghai STAR Market, and the IPOP was the primary open market in the stock before the July 27 debut. The offering priced at ¥8.66 (\$1.28) per share, raising \$8.6 billion in Asia’s largest IPO of 2026, with retail orders exceeding the shares offered by 212 times.³⁸ The IPOP signaled the underpricing from its first session. The IPOP’s initial reference price was \$5.00, it traded between \$6.01 and \$8.09 over the twelve days before the listing, and closed listing eve at \$6.44, the equivalent of ¥44 per share against the ¥8.66 offer and roughly five times the offer price. The stock opened at ¥49.50 (\$7.31), 472 percent above the offer price. The IPOP sat 12 percent under the coming open on listing eve, closed most of the remaining gap in the final fifteen minutes as Shanghai’s opening auction published indicative prices, and read \$7.11 at the bell, within 2.74 percent of the opening print. After the open, the IPOP continued to track the stock through the morning session, repricing to \$7.62 and holding about 1 percent under the stock as it traded as high as ¥53.9 (\$7.97), with open interest growing to \$103 million. The CXMT IPOP transitioned to a standard trade[XYZ] perpetual on July 27, 2026.³⁹

Five markets form an early but consistent record. In each, the IPOP’s final price before the stock opened landed within 0.44 to 7.23 percent of the opening price. The SKHY market came closer than the pre-open estimates published by traditional outlets. Each offering was also priced below where the IPOP was trading the day before, and each stock opened above its offering price. The market saw the underpricing in each case, and trade[XYZ]’s markets were the main venue for expressing that view accurately. The data behind these markets also carries its own benefit: all of it is observable onchain in real time, and any regulator, researcher, or market participant can review it directly, without licensing proprietary data feeds from traditional exchanges.

³⁵ Corrie Driebusch, *SK Hynix First Price Indicated Around \$174*, WSJ (July 10, 2026), <https://www.wsj.com/livecoverage/stock-market-today-dow-sp-500-nasdaq-07-10-2026/card/yT6jV17i0ThQVMMdfB5h>.

³⁶ See @tradexyz, *SKHY has transitioned to a standard XYZ perpetual*, X (July 10, 2026), <https://x.com/tradexyz/status/2075618793460572237>.

³⁷ See @tradexyz, *The Pre-IPO Perpetual (IPOP) Market for CXMT is Now Live*, X (July 15, 2026), <https://x.com/tradexyz/status/2077243877032079867>.

³⁸ Bloomberg News, *supra* note 11.

³⁹ See @tradexyz, *CXMT has transitioned to a standard XYZ perpetual*, X (July 27, 2026), <https://x.com/tradexyz/status/2081568531221455009>.

IV. Regulatory Considerations

A perpetual contract referencing the anticipated equity of a single company falls within the Commission's jurisdiction whether classified as a security-based swap under Exchange Act Section 3(a)(68) or as a security future under Section 3(a)(55).⁴⁰ Real challenges and open questions would need to be resolved to make IPOPs available to U.S. persons, including retail investors. Product classification stands first among them, because classification will determine several downstream regulatory requirements and obligations, from registration and venue to clearing and margin. These markets today operate offshore and are closed to U.S. persons. Whether that remains the status quo will ultimately depend on the holistic framework the SEC and CFTC adopt for perpetual products generally, and on the SEC's approach to equity-based perptuals specifically.

In their September 2025 joint statement, the Chairman of the SEC and the Acting Chairman of the CFTC observed that jurisdictional and definitional constraints have limited the use of perpetual contracts in the United States, and identified onshoring perpetual contracts that meet investor and customer protection standards as a candidate for concurrent action across both agencies.⁴¹ That joint statement was formalized through the March 2026 memorandum of understanding, which identified removing obstacles to the lawful introduction of novel derivative products as a priority of the agencies' harmonization efforts.⁴² The CFTC's May 29, 2026 order approved the first perpetual contract to list on a U.S. exchange, as a futures contract, and the accompanying policy statement identified equity-based perpetual contracts as products that "would benefit from review" by both agencies.⁴³ Equity perptuals, including IPOPs, are accordingly teed up for the Commission, and the SEC-CFTC harmonization initiative and the

⁴⁰ To the extent the SEC determines that IPOPs are appropriately classified as security futures, the Commission and the CFTC may need to exercise their joint authority to modify the security futures listing standards. Those standards require, except as otherwise provided by joint rule, regulation, or order, that a security future "be based upon common stock and such other equity securities as the [SEC] and the [CFTC] jointly determine appropriate," and that any security underlying a security future be registered under Section 12 of the Exchange Act. 15 U.S.C. § 78f(h)(3)(A), (D); *see* 7 U.S.C. § 2(a)(1)(D)(i). Where existing listing standards require adaptation, the Commissions hold joint authority to modify them to the extent the modification "fosters the development of fair and orderly markets in security futures products, is necessary or appropriate in the public interest, and is consistent with the protection of investors." 15 U.S.C. § 78f(h)(4). The Commissions have exercised that authority before for novel security futures products, extending eligibility to American Depositary Receipts in 2001, exchange-traded funds, trust issued receipts, and closed-end fund shares in 2002, and debt securities in 2006. *See* Joint Order Modifying the Listing Standards Requirements Under Section 6(h) of the Exchange Act and the Criteria Under Section 2(a)(1) of the CEA, Exchange Act Release No. 34-44725 (Aug. 20, 2001) (ADRs); 67 Fed. Reg. 42,760 (June 25, 2002) (ETFs, trust issued receipts, and closed-end fund shares); 71 Fed. Reg. 39,534 (July 13, 2006) (debt securities).

⁴¹ *Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC* (Sept. 5, 2025), <https://www.sec.gov/newsroom/speeches-statements/joint-statement-atkins-pham-090525>.

⁴² SEC & CFTC, Memorandum of Understanding Regarding Harmonization in Areas of Common Regulatory Interest (Mar. 11, 2026), <https://www.sec.gov/files/mou-sec-cftc-2026.pdf>.

⁴³ *See* CFTC, *Order Permitting the Listing of the Kalshi BTC/PERP Contract* (May 29, 2026), and accompanying Policy Statement. Footnote 5 of the Policy Statement states that perpetual contracts referencing equity securities would benefit from joint SEC-CFTC review. Policy Statement Concerning the Listing of Perpetual Contracts, 91 Fed. Reg. 33,160, 33,161 (June 3, 2026).

IPO modernization initiative each provide a forum for the Commission to consider these instruments.

We identify five items for the Commission's consideration, each of which we would welcome the opportunity to discuss further with the Commission and its staff:

- **Product classification.** Whether equity-referencing perpetuals, including IPOPs, should be classified as security futures products or security-based swaps.⁴⁴ Classification drives registration, venue, clearing, and margin consequences, and a coordinated SEC-CFTC position would produce taxonomic consistency with the CFTC's treatment of commodity perpetuals.
- **Disclosure framework.** The Securities Act disclosure regime protects investors acquiring equity in an enterprise, with its residual profit claims, voting rights, and ongoing legal relationship with the issuer. An IPOP holder acquires none of those things, and issuer-style disclosure would misdescribe the instrument's risks. Disclosure for IPOPs should instead track the instrument, covering contract mechanics, funding rates, leverage and liquidation thresholds, pricing methodology, conversion mechanics, and alternative settlement, consistent with disclosure for other listed derivatives.
- **Listing eligibility guardrails.** Conditions confining the instrument to its price discovery function, for example permitting deployment only after a registration statement is publicly filed, within a defined window of a publicly announced offering, and conditioned on the availability of specified pre-offering information. trade[XYZ]'s existing practice, configuring each market with an anticipated listing date and listing grace period and, to date, launching while the issuer is in a registered filing process, offers a working template.
- **Investor access.** IPOPs can offer all investors, including retail investors, a differentiated means of gaining exposure to the anticipated market price of private companies in a time-limited window before a public offering. To the extent the Commission would benefit from building supervisory experience with a novel product type, a phased introduction with tailored protections such as leverage limits, position limits, and instrument-specific risk disclosure could serve that purpose. We encourage the Commission to approach investor access with the objective of ultimately making these products available to all U.S. investors.
- **Market integrity.** Any framework should require pre-announced oracle and settlement rules and requirements to disclose changes to those rules; disclosure on market deployer discretion; audit trails; and mechanisms addressing manipulation, conflicts, and trading by market deployers and affiliates while aware of material nonpublic information.

⁴⁴ The Commissions have sought comment on this precise question. See Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance, 91 Fed. Reg. 37,873, 37,876 (June 24, 2026) (Question 11 asks whether "a cash-settled 'perpetual' contract referencing an equity security could be treated as a security future").

V. Conclusion

Pre-IPO perpetuals offer price discovery benefits that can meaningfully inform the IPO process. A continuous public market in the weeks before a listing gives issuers and underwriters an independent read on demand and gives investors a price signal where none currently exists. We encourage the Commission to examine these markets as part of its IPO modernization agenda and its harmonization work with the CFTC, and we would welcome the opportunity to provide market data, technical documentation, or any other assistance useful to the staff.

Respectfully submitted,

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/s/ Collins Belton

Collins Belton
On behalf of
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