

CHAPTER 14: PERPETUAL SECURITY FUTURES PRODUCTS

PART I --- GENERAL PROVISIONS

Rule 14.1 Scope and Application

(a) This Chapter establishes the rules governing the listing, trading, clearing, margining, and surveillance of security futures products as defined in Section 3(a)(56) of the Securities Exchange Act of 1934, as amended from time to time (the “Exchange Act”) and Section 1a(45) of the CEA (“SFPs”) that convey exposure to the price of an underlying equity security, have no pre-specified expiration date and are designated as Perpetual SFPs in their respective Contract Specifications (each such SFP, a “Perpetual SFP”) listed for trading on KalshiEX LLC (the “Exchange”).

(b) Except as otherwise provided herein, the rules contained in Chapters 1 through 13 of this Rulebook shall also apply to the trading of Perpetual SFPs. In the event of a conflict between the rules of this Chapter and any other Exchange rule, the rules of this Chapter shall govern.

(c) The Exchange adopts the rules of this Chapter consistent with its obligations as a CFTC-registered Designated Contract Market and its notice-registered status with the Securities and Exchange Commission (the “SEC”) pursuant to Section 6(g) of the Exchange Act and SEC Form 1-N. The rules of this Chapter are intended to comply with the joint CFTC-SEC regulatory framework for security futures products, including CFTC Regulations 41.21 through 41.49 and the applicable provisions of the Exchange Act.

(d) Only Participants that are registered as futures commission merchants or introducing brokers with the CFTC and that are also registered or notice-registered as broker-dealers with the SEC pursuant to Section 15(b) of the Exchange Act and rules and regulations of the SEC thereunder may effect customer transactions in Perpetual SFPs. Self-Clearing Members may also trade Perpetual SFPs for their own accounts.

Rule 14.2 Definitions

As used in this Chapter, the following terms shall have the meanings set forth below. Capitalized terms not defined herein shall have the meanings ascribed to them in Chapter 1 of this Rulebook or the Clearing House Rules.

- a) “ADR” means an American Depositary Receipt representing common or ordinary shares.
- b) “ADTV” means the average daily value of transactions in the Underlying Security over the applicable measurement period, calculated across all national securities exchanges.
- c) “Affiliated SFP Broker Member” means an SFP Broker Member that is an Affiliate of the Company.
- d) “Computation Interval” means each successive sixty-second interval within the Funding Period, beginning at the start of a clock minute and ending immediately before the start of the next, so that each transaction and each Underlying Price Index value falls within exactly one Computation Interval.

- e) “Contract Unit” means the number of shares of the Underlying Security represented by one Perpetual SFP contract. The Contract Unit of a Perpetual SFP contract shall be 100 shares of the Underlying Security at all times, and is not subject to adjustment in connection with any Corporate Action.
- f) “Corporate Action” means any event initiated by the issuer of an Underlying Security that alters the number, form, value, or economic characteristics of outstanding shares, including but not limited to stock splits, reverse stock splits, stock dividends, ordinary or extraordinary cash dividends, rights issues, spin-offs, mergers, acquisitions, tender offers, exchange offers, delistings, and name, ISIN, or CUSIP changes.
- g) “Cum-Price” means the official closing price of the Underlying Security on the Last Cum-Trading Day as reported by the Primary Listing Exchange, or such other reference price as the Chief Regulatory Officer may determine in the event the official closing price is unavailable or unrepresentative.
- h) “Chief Regulatory Officer” or “CRO” means the individual appointed by the Board to serve as the Company’s chief regulatory officer.
- i) “Current Market Value” means, with respect to a Perpetual SFP position, the Mark Price of the contract as determined by the Exchange pursuant to Rule 14.12(a)–(c), multiplied by the Contract Unit, multiplied by the number of contracts.
- j) “Daily Settlement Price” means the settlement price determined by the Exchange for each Perpetual SFP as of the Daily Settlement Time in accordance with Rule 14.12.
- k) “Daily Settlement Time” means the scheduled close of regular trading in the U.S. equity cash market (ordinarily 4:00 PM ET, and on early-close days, the scheduled early close), on each day on which the cash market is open for regular trading.
- l) “Deadband-Adjusted Premium” means, for a given Funding Period, the Mean Premium adjusted for the Deadband Threshold as provided in Rule 14.10(d)(2).
- m) “Deadband Threshold” means 0.002%, applied as provided in Rule 14.10(d)(2).
- n) “Estimated Deliverable Supply” means the free float of the Underlying Security, calculated as issued and outstanding shares less restricted shares (*e.g.*, restricted and control securities not registered with the SEC for public sale).
- o) “Ex-Date” means the first trading day on which the Underlying Security trades without the entitlement arising from the relevant Corporate Action, as determined by the Primary Listing Exchange.
- p) “Exchange-traded fund” or “ETF” means an open-end management investment company or unit investment trust registered under the Investment Company Act of 1940 whose shares are listed on a national securities exchange and traded at market-determined prices, including an exchange-traded fund as defined in Rule 6c-11 under that Act.
- q) “ETF Share” means a share of stock issued by an ETF.
- r) “Exempted Security” has the meaning set forth in Section 3(a)(12) of the Securities Exchange Act of 1934.

- s) “Extraordinary Dividend” means any cash distribution by the issuer of an Underlying Security that (i) the issuer designates as “special,” “extraordinary,” or “non-recurring,” or (ii) falls outside the issuer’s established ordinary dividend policy, or (iii) exceeds the Extraordinary Dividend Threshold, as determined by the Chief Regulatory Officer in accordance with Rule 14.27.
- t) “Extraordinary Dividend Threshold” means ten percent (10%) of the Cum-Price of the Underlying Security, unless a different threshold is established by the Chief Regulatory Officer by notice to Participants.
- u) “Final Settlement Price” has the meaning given in Rule 14.7(c).
- v) “Funding Period” means the period over which Premiums are computed for a given Periodic Transfer. The Funding Period comprises the regular trading session of the U.S. equity cash market on the applicable trading day.
- w) “Funding Rate” means, for a Funding Period, the rate determined under Rule 14.10(d), being the Mean Premium for that Funding Period adjusted for the Deadband Threshold and limited by the Maximum Funding Magnitude as provided therein. The Funding Rate is derived solely from the Premiums observed during the Funding Period; the Funding Rate methodology contains no separate interest rate or dividend term, and expected carry and Ordinary Dividends are reflected in the Funding Rate only to the extent they are reflected in the Premium.
- x) “Kalshi Prime” means Kalshi Prime LLC.
- y) “Last Cum-Trading Day” means the last trading day on which the Underlying Security trades with the entitlement arising from the relevant Corporate Action, being the business day immediately preceding the Ex-Date.
- z) “Margin Security” has the meaning set forth in Section 220.2 of Regulation T of the Board of Governors of the Federal Reserve System (12 CFR 220.2).
- aa) “Margin Equity” means, with respect to a customer account, the sum of (i) the cash balance of the account and (ii) the collateral value, determined in accordance with Rule 14.17(b), of any non-cash margin deposits held in the account, in each case after giving effect to all Variation Margin, Funding Rate transfers, and other credits and debits settled to the account.
- bb) “Mark Price” means the price of a Perpetual SFP determined by the Exchange as of each Mark Price Calculation Time in accordance with Rule 14.12(a) through (c). A reference to the Mark Price as of any time means the Mark Price most recently determined as of or before that time.
- cc) “Mark Price Calculation Time” has the meaning assigned to it in Rule 14.12(a).
- dd) “Maximum Funding Magnitude” means 2.00%, as provided in Rule 14.10(d)(3).
- ee) “Mean Premium” means, for a Funding Period, the equally weighted arithmetic mean of the Premiums computed during that Funding Period, as determined under Rule 14.10(d)(1).

- ff) “New Product Committee” or “NPC” means the internal Exchange committee responsible for reviewing and approving new Perpetual SFP listings, comprising at least three members, including the Head of Markets (or designee).
- gg) “Ordinary Dividend” means a regularly scheduled cash dividend paid by the issuer of an Underlying Security in accordance with the issuer’s established dividend policy, and which does not exceed the Extraordinary Dividend Threshold.
- hh) “Periodic Transfer” means payments exchanged between holders of long and short positions in Perpetual SFPs at each Daily Settlement Time pursuant to Rule 14.10.
- ii) “Perpetual SFP” has the meaning given to it in Rule 14.1.
- jj) “Perpetual SFP Margin Deficiency” means the amount, if any, by which the Perpetual SFP Required Margin for a customer account exceeds the Margin Equity of the account.
- kk) “Perpetual SFP Required Margin” means the amount of margin that must be on deposit in a customer account with respect to Perpetual SFP positions, as calculated under Rule 14.16.
- ll) “Premium” means, for a given Computation Interval, the quantity (Mark Price – Reference Price) / Reference Price, where the Mark Price is determined according to Rule 14.12 as of the end of such Computation Interval.
- mm) “Primary Listing Exchange” means the national securities exchange on which the Underlying Security is primarily listed for trading, as identified in the applicable Contract Specifications.
- nn) “Public Float” means the number of outstanding shares of the Underlying Security that are not held by officers, directors, or beneficial owners of more than 10% of the class of securities, calculated based on the most recent publicly available filings with the SEC.
- oo) “Reference Price” means, for a Computation Interval, the time-weighted average of the Underlying Price Index over that interval.
- pp) “Regulatory Halt” means any event within the meaning of that term in (i) SEC Rule 6h-1(a)(3) and CFTC Regulation 41.1(l) and (ii) the “Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934” approved 31 May 2012 by the SEC, as amended from time to time (SEC, SRO Rulemaking, National Market System Plans, File 4 631) and as implemented under New York Stock Exchange Rule 7.12 for Trading Halts Due to Extraordinary Volatility or under Nasdaq Stock Market Rule 4121 for Trading Halts Due to Extraordinary Volatility.
- qq) “Restructure Security” means an equity security that a company issues or anticipates issuing as the result of a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.
- rr) “Review Date” means the last business day of each calendar quarter, on which the Exchange evaluates whether listed Perpetual SFPs continue to satisfy the maintenance standards set forth in Rule 14.6.
- ss) “Third-Party DSRO” means a DSRO designated pursuant to CFTC Regulation 1.52 that is unaffiliated with the Exchange, Clearing House and Kalshi Prime.

- tt) “SDN List” means OFAC’s List of Specially-Designated Nationals and Blocked Persons.
- uu) “Security Futures Product” or “SFP” has the meaning set forth in Section 1a(45) of the Commodity Exchange Act and Section 3(a)(56) of the Securities Exchange Act of 1934.
- vv) “SFP Broker Member” means an FCM Member or IB Member that has satisfied the conditions set forth in Rule 14.37(c). References to “FCM SFP Broker Members” refer to SFP Broker Members that are FCMs.
- ww) “Six-Month Total Trading Volume” means the total trading volume in the Underlying Security during the most recent six calendar months, calculated monthly.
- xx) “Standard Contract Equivalent” means a unit of exposure equal to 100 shares of the Underlying Security. The number of Standard Contract Equivalents represented by a position equals the aggregate number of shares of the Underlying Security underlying the position (the number of Perpetual SFP contracts multiplied by the applicable Contract Unit) divided by 100.
- yy) “Stressed Market Conditions” means any market conditions declared as such by the Exchange pursuant to Rule 14.15(b).
- zz) “Static Reference Price” means, for each Perpetual SFP on each trading day, the Daily Settlement Price of that Perpetual SFP on the immediately preceding trading day, or, where no Daily Settlement Price is available for the preceding trading day, the opening price of the Perpetual SFP as determined by the Exchange. The Chief Regulatory Officer may designate an alternative Static Reference Price by notice to Participants where the foregoing is unavailable or unrepresentative of prevailing market conditions.
- aaa) “Static Daily Limit” means the maximum permitted price deviation from the Static Reference Price over the course of a trading day, as established by the Exchange pursuant to Rule 14.14.
- bbb) “TIR” means trust issued receipt (*i.e.*, securities representing beneficial ownership of the specific deposited securities represented by the receipts).
- ccc) “Underlying Price Index” means the last sale price of the Underlying Security as reported by the securities information processor pursuant to the effective national market system plan for the Underlying Security (*i.e.*, the consolidated tape). During periods when the equity cash market is closed, the Underlying Price Index shall be the official closing price from the most recent regular trading session of the Underlying Security.
- ddd) “Underlying Security” means the equity security upon which a Perpetual SFP listed on the Exchange is based, as specified in the applicable Contract Specifications.
- eee) “Variation Margin” means the daily cash amount credited to or debited from a customer account to reflect the change in Current Market Value of open Perpetual SFP positions, settled in cash in the ordinary daily settlement cycle. Funding Rate transfers and any per-contract cash credit, debit, or residual payment required under Part VII constitute payment obligations separate from Variation Margin, settled in cash at the same Daily Settlement Time as, but separately from, Variation Margin.

PART II --- LISTING STANDARDS AND PRODUCT ELIGIBILITY

Rule 14.3 Initial Listing Eligibility Criteria

An Underlying Security must satisfy all of the following criteria at the time of initial listing to be eligible for a Perpetual SFP on the Exchange.

(a) **Exchange Listing Requirement.** The Underlying Security must be registered and listed on a U.S. national securities exchange and must be an “NMS security” as defined in Section 11A of the Exchange Act and Rule 600(b) of SEC Regulation NMS. The Underlying Security must be registered pursuant to Section 12 of the Exchange Act. Securities traded exclusively on the OTC Markets (OTC Pink, OTCQX, OTCQB), foreign exchanges without a U.S. listing, or any non-registered trading venue are not eligible. In all cases, the Underlying Security must satisfy the requirements applicable to securities underlying SFPs under CFTC Regulation 41.21(a) and its issuer must be in compliance with any applicable requirements of the Act.

(b) **Market Capitalization.** The Underlying Security must have a market capitalization of not less than \$100,000,000,000 (one hundred billion U.S. dollars), calculated as the product of (i) the closing price on the principal listing exchange and (ii) total shares outstanding, measured as of the most recent trading day prior to the NPC’s review.

(c) **Trading Volume.** The Underlying Security must have an ADTV of not less than \$450,000,000 over the six months immediately preceding the NPC’s review, except where the Underlying Security has been listed for trading for less than six months, in which case the Underlying Security must have an ADTV of not less than \$1,000,000,000 over the prior month. In computing ADTV, the Exchange shall use consolidated price data from the relevant Securities Information Processor.

(d) **Share Price.** If the Underlying Security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the closing price of the Underlying Security has been at least \$3.00 for the previous five consecutive business days preceding the date on which the Exchange commences to list and trade the Perpetual SFP contract on such Underlying Security. If the Underlying Security is not a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the closing price of the Underlying Security has been at least \$7.50 for the previous five consecutive business days preceding the date on which the Exchange commences to list and trade the Perpetual SFP contract on such Underlying Security.

(e) **Public Float.** The Underlying Security must have a Public Float of not less than 7,000,000 shares.

(f) **Estimated Deliverable Supply.** The Underlying Security must have an Estimated Deliverable Supply in excess of 20 million shares.

(g) **Reporting Status.** The issuer of the Underlying Security must be current in all periodic reporting obligations under Sections 13 or 15(d) of the Securities Exchange Act of 1934 (including, in the case of a foreign private issuer whose equity securities are represented by an ADR, the reports required on Form 20-F and Form 6-K). The Exchange shall verify reporting status through the SEC’s EDGAR system prior to listing. In the case of an Underlying Security that is an ETF Share, the issuer must instead be a registered investment company that is current in the periodic reports, financial statements, and registration-statement or prospectus updates required of it under the Investment Company Act of 1940 and the Securities Act of 1933, as verified through the SEC’s EDGAR system.

(h) **Eligible Security Types.** The Underlying Security must be common stock, an ADR, TIR or an ETF Share that satisfies the requirements of Rule 14.4(e).

(i) **Multi-Class Issuers.** For an issuer with multiple classes of common stock, each class shall be assessed independently against the criteria of this Rule 14.3. The NPC may elect to list Perpetual SFPs on more than one class of an issuer's stock.

(j) **Security Holders.** In the case of an Underlying Security other than an ETF Share or a TIR, there must be at least 2,000 security holders, whether of record or beneficial, of the Underlying Security.

(k) **ETF Share and TIR Trading Volume.** In the case of an Underlying Security that is an ETF Share or a TIR, the Underlying Security must have had a total trading volume (in all markets in which it has traded) of at least 2,400,000 shares or receipts evidencing the Underlying Security in the twelve (12) months preceding the NPC's review.

(l) **ADR-Specific Requirements.** If the Underlying Security is an ADR, one of the following conditions must be satisfied:

(1) the Exchange must have an effective surveillance-sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded;

(2) the combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market, or in markets with which the Exchange has an effective surveillance-sharing agreement, represents (on a share-equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock, over the three-month period preceding the date of selection of the ADR for Perpetual SFP trading;

(3) (A) the combined trading volume of the ADR and other related ADRs and securities in the U.S. ADR market and in markets with which the Exchange has an effective surveillance-sharing agreement represents (on a share-equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and other related ADRs and securities over the three-month period preceding the date of selection, (B) the average daily trading volume for the ADR in the U.S. markets over the three-month period preceding the date of selection is at least 100,000 receipts, and (C) the daily trading volume for the ADR is at least 60,000 receipts in the U.S. markets on a majority of the trading days for the three-month period preceding the date of selection; or

(4) the SEC and the CFTC have otherwise authorized the listing.

(m) **Restructure Securities.** For purposes of this Rule 14.3: "Restructuring Transaction" means the spin-off, reorganization, recapitalization, restructuring or similar corporate transaction giving rise to a Restructure Security; "Original Equity Security" means the equity security of the relevant company that existed prior to the ex-date of the Restructuring Transaction; and "Selection Date" means the date on which the Restructure Security is selected as a prospective Underlying Security. The criteria of this Rule 14.3 apply to a Restructure Security as follows:

(1) **Public Float; Security Holders.** The Exchange may assume that Rule 14.3(e) is satisfied if, based on a reasonable investigation, it determines that, on the intended listing date, at least 40,000,000 shares of the Restructure Security will be issued and outstanding or the Restructure Security will be listed on an exchange or automated quotation system that is subject to an initial listing requirement of at least seven million publicly owned shares. The Exchange may assume

that Rule 14.3(j) is satisfied if, based on a reasonable investigation, it determines that , on the intended listing date, at least 40,000,000 shares of the Restructure Security will be issued and outstanding or the Restructure Security will be listed on an exchange or automated quotation system that is subject to an initial listing requirement of at least 2,000 shareholders.

Where the Restructure Security is issued or distributed to the holders of the Original Equity Security, the Exchange may consider the number of outstanding shares and the number of holders of the Original Equity Security prior to the Restructuring Transaction for purposes of determining whether the criteria in Rules 14.3(e) and 14.3(j) are satisfied.

(2) Look-Back to the Original Equity Security. In determining whether a Restructure Security that is issued or distributed to the holders of an Original Equity Security (other than a Restructure Security issued pursuant to a public offering or rights distribution) satisfies Rule 14.3(c) (Trading Volume) or Rule 14.3(d) (Share Price), the Exchange may look back to the trading volume or market price history, as applicable, of the Original Equity Security prior to the ex-date of the Restructuring Transaction if at least one of the following is satisfied (the “Look-Back Test”): (A) the Restructure Security has an aggregate market value of at least \$500 million; (B) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security; (C) the aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the assets attributed to the business represented by the Original Equity Security; or (D) the revenues attributed to the business represented by the Restructure Security equal or exceed both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security. “Relevant Percentage” means 25% where the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security, and 33-1/3% where such measure excludes the business represented by the Restructure Security.

(3) Measurement. In calculating comparative aggregate market values for purposes of the Look-Back Test, the Exchange shall use the Restructure Security’s closing price on its primary market on the last business day prior to the Selection Date, or its opening price on its primary market on the Selection Date, and the corresponding closing or opening price of the related Original Equity Security. In calculating comparative asset values and revenues for purposes of the Look-Back Test, the Exchange shall use the issuer’s latest annual financial statements or its most recently available interim financial statements covering a period of not less than three months, whichever are more recent; such financial statements may be audited or unaudited and may be pro forma.

(4) Public Offerings and Rights Distributions. In determining whether a Restructure Security distributed pursuant to a public offering or a rights distribution satisfies Rule 14.3(d), the Exchange may look back to the market price history of the Original Equity Security if: (A) the Look-Back Test is satisfied; (B) the Restructure Security has traded “regular way” on an exchange or automated quotation system for at least five trading days immediately preceding the Selection Date; and (C) at the close of trading on each such trading day, and at the opening of trading on the Selection Date, the market price of the Restructure Security was at least the price applicable to it under Rule 14.3(d).

(5) **Limitations.** Except in the case of a Restructure Security distributed pursuant to a public offering or a rights distribution, the Exchange will not rely upon the market price history of the Original Equity Security for any trading day unless it also relies upon the trading volume history of the Original Equity Security for that trading day. Once the Exchange commences to rely upon the Restructure Security's own trading volume and market price history for any trading day, the Exchange will not rely upon the trading volume and market price history of the Original Equity Security for any trading day thereafter. Nothing in this paragraph (m) limits Rule 14.4(h).

Rule 14.4 Categorical Exclusions

Notwithstanding satisfaction of the criteria in Rule 14.3, the Exchange shall not list Perpetual SFPs on the following categories of securities:

- (a) Any security whose issuer has filed a petition under any chapter of the U.S. Bankruptcy Code, or has been the subject of an involuntary petition, or is subject to analogous foreign insolvency proceedings.
- (b) Any security that is subject to a trading halt, suspension, or revocation of listing by its principal listing exchange or by the SEC pursuant to Section 12(k) of the Exchange Act, or that is subject to a suspension of the effectiveness of, or a revocation of, its registration by the SEC pursuant to Section 12(j) of the Exchange Act, until such halt or suspension has been lifted for at least 10 consecutive trading days.
- (c) Any blank check company or special purpose acquisition company that has not completed a qualifying de-SPAC business combination, or that remains in the pre-combination trust period.
- (d) Any security whose issuer is organized or domiciled in, or is owned or controlled by entities in, a jurisdiction subject to comprehensive U.S. sanctions administered by OFAC, or whose issuer or any of its controlling persons is designated on the SDN List.
- (e) Exchange-traded notes ("ETNs"), closed-end fund shares, shares of other pooled investment vehicles registered under the Investment Company Act of 1940 (or structured as debt instruments), and shares of leveraged, inverse, or synthetic exchange-traded products; provided, however, that this paragraph (e) does not exclude shares of an ETF that (i) is registered with the SEC as an open-end management investment company or unit investment trust under the Investment Company Act of 1940, (ii) issues and redeems shares at net asset value in creation-unit aggregations, (iii) holds or seeks to track a diversified portfolio or index of equity securities, and (iv) is not leveraged, inverse, or synthetic. For the avoidance of doubt, exchange-traded notes, closed-end funds, leveraged, inverse, or synthetic exchange-traded products, and commodity-, currency-, or other non-equity-based exchange-traded products (including those organized as grantor trusts) remain excluded.
- (f) Rights, warrants, subscription receipts, units consisting of multiple component securities, or similar derivative or hybrid equity instruments.
- (g) Any security for which a material Corporate Action has been publicly announced and is pending completion, where such action, if completed with respect to the Underlying Security of a Perpetual SFP, could result in accelerated final settlement of the Perpetual SFP pursuant to Rule 14.30. The NPC may grant an exception where the Corporate Action is not expected to close within 90 days and the security otherwise satisfies all listing criteria.

(h) Any Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a “when issued” basis or on another basis that is contingent upon the issuance or distribution of securities.

Rule 14.5 [Reserved]

Rule 14.6 Maintenance Standards and Ongoing Monitoring

(a) **Quarterly Review.** On each Review Date, the Exchange shall evaluate each listed Perpetual SFP against the following maintenance thresholds: (i) market capitalization of not less than \$50,000,000,000; (ii) ADTV of not less than \$200,000,000 for the prior calendar quarter, except where the Underlying Security has been listed for less than a quarter, in which case the Underlying Security must have an ADTV of not less than \$1 billion over the period traded during the calendar quarter; (iii) closing price of not less than \$3.00 per share on each of the 10 consecutive trading days immediately preceding the Review Date; (iv) a Public Float of not less than 6,300,000 shares; (v) Estimated Deliverable Supply of at least 20,000,000 shares and (vi) confirmation that the issuer of the Underlying Security is current in all periodic and other reporting obligations under Sections 13 or 15(d) of the Securities Exchange Act of 1934, including for issuers of Underlying Securities other than ETF Shares, TIRs or ADRs, the timely filing of its most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q (or, in the case of a foreign private issuer of an ADR, the reports required on Form 20-F and Form 6-K; or, in the case of the issuer of an ETF, confirmation that the issuer remains a registered investment company current in the reports and registration-statement or prospectus updates required of it under the Investment Company Act of 1940 and the Securities Act of 1933), in each case as verified through the SEC’s EDGAR system.

(b) **Cure Period.** If an Underlying Security fails to satisfy any applicable maintenance standard set forth in this Rule 14.6, including Rules 14.6(a), (d), (e) and (f), on a Review Date, the Exchange shall provide notice to Participants and allow a cure period of 90 calendar days. If the Underlying Security fails to regain compliance with all applicable maintenance standards by the end of the cure period, the Exchange shall initiate delisting procedures pursuant to Rule 14.7.

(c) **Immediate Delisting Events.** Notwithstanding the cure period in paragraph (b), the Exchange shall immediately halt trading (including execution and reporting of Block Trades) in and initiate delisting of a Perpetual SFP upon the occurrence of any of the following (each, an “Immediate Delisting Event”): the Underlying Security is delisted from its Primary Listing Exchange; the issuer enters into bankruptcy, liquidation or insolvency proceedings; the SEC issues a trading suspension order under Section 12(k) of the Exchange Act; the SEC issues an order under Section 12(j) of the Exchange Act suspending the effectiveness of, or revoking, the registration of the Underlying Security; the Underlying Security ceases to exist as a result of a completed Corporate Action in which the security is cancelled; or OFAC designates the issuer or its controlling persons on the SDN List. Upon the occurrence of any Immediate Delisting Event, the Exchange shall promptly confirm that the event has occurred and, upon such confirmation, shall halt trading (including execution and reporting of Block Trades) in the affected Perpetual SFP without any cure period and shall announce the halt and the applicable final settlement timeline by Exchange Notice; trading shall not thereafter resume, and all open positions shall be settled in accordance with Rule 14.7.

(d) **Security Holders (Maintenance).** In addition to the requirements listed in Rule 14.6(a), in the case of an Underlying Security other than an ETF Share or a TIR, there must be at least 1,600 security holders, whether of record or beneficial, of the Underlying Security as of each Review Date.

(e) **ETF Share and TIR Maintenance Standards.** Notwithstanding anything to the contrary in this Rule 14.6, if the Underlying Security of a Perpetual SFP is an ETF Share or a TIR, the applicable requirements for initial listing of the related Perpetual SFP (as described in Rule 14.3 above) shall apply in lieu of the maintenance requirements set forth in Rule 14.6(a).

(f) **ADR Maintenance.** If the Underlying Security is an ADR that was initially deemed appropriate for Perpetual SFP trading under Rule 14.3(l)(2) or Rule 14.3(l)(3), then, in addition to the requirements listed in Rule 14.6(a) and Rule 14.6(d), as of the Review Date, one of the following criteria must be met: (i) the percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has effective surveillance-sharing agreements for any consecutive three-month period is (A) at least 30%, without regard to the average daily trading volume in the ADR, or (B) at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 receipts; (ii) the Exchange has in place an effective surveillance-sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or (iii) the SEC and the CFTC have otherwise authorized the listing.

(g) **Notice of Withdrawal of Approval.** Whenever the Exchange announces that approval of an Underlying Security has been withdrawn, or that the issuer of an Underlying Security has ceased to be in compliance with Exchange Act reporting requirements, each Member shall, prior to effecting any transaction in Perpetual SFPs on the affected Underlying Security for any customer, inform such customer of that fact and that the Exchange may prohibit further transactions in such Perpetual SFPs as the Exchange determines is necessary and appropriate.

(h) **Restructure Securities (Maintenance).** If a Restructure Security has been approved as an Underlying Security under Rule 14.3, the ADTV and market price history of the related Original Equity Security (as described in Rule 14.3(m)) prior to the commencement of trading in the Restructure Security, including “when-issued” trading, may be taken into account in determining whether the maintenance standards of Rule 14.6(a)(ii) and (iii), respectively, are satisfied.

Rule 14.7 Delisting Procedures

When the Exchange determines that a Perpetual SFP must be delisted, the following procedures apply:

(a) **Notice.** The Exchange shall provide written notice to all Participants with open positions in Perpetual SFPs, posted to the Exchange’s website and disseminated through its standard notification channels, specifying the reason for delisting and the applicable timeline.

(b) **Transition Period.** For cure-period delistings, the Exchange shall provide not less than 30 calendar days’ notice prior to the final settlement date. For Immediate Delisting Events, the Exchange shall conduct final settlement as promptly as practicable but no later than 5 business days following the triggering event.

(c) **Final Settlement.** All open positions shall be settled at the Final Settlement Price determined in a manner consistent with CFTC Regulation 41.25(c). The Final Settlement Price shall be

determined in accordance with the following standard procedure, applied in order: (i) where the delisting arises from a Corporate Action addressed under Part VII, the consideration payable to holders of the Underlying Security under the announced terms of the Corporate Action; (ii) the Final Settlement Price shall be the opening price of the Underlying Security on its Primary Listing Exchange on the final settlement date; and (iii) where the price under clause (i) or clause (ii) is not readily available, the Final Settlement Price shall fairly reflect the price of the Underlying Security on its Primary Listing Exchange during the most recent regular trading session for such Underlying Security or the next available opening price of the Underlying Security. Notwithstanding anything to the contrary in this Rule 14.7, where the Clearing House determines that such Final Settlement Price is not consistent with the protection of customers and the public interest, taking into account the factors listed in CFTC Regulation 41.25(c)(3), the Clearing House may determine, pursuant to its rules, an alternative Final Settlement Price. The settlement price methodology set forth in the Contract Specifications shall be consistent with, and subject to, this Rule and CFTC Regulation 41.25(c).

Rule 14.8 New Product Approval Process

(a) **New Product Committee.** No Perpetual SFP shall be listed on the Exchange without the prior approval of the NPC. The NPC shall consist of at least three members, including the Head of Markets (or designee). The NPC shall maintain written records of all determinations.

(b) **Review Process.** For each proposed Perpetual SFP listing, the NPC shall: verify that the proposed underlying security satisfies all initial listing criteria under Rule 14.3; confirm that no categorical exclusion under Rule 14.4 applies; evaluate the susceptibility of the proposed underlying security to manipulation; assess the adequacy of the proposed Contract Specifications; review the availability and reliability of data sources necessary for settlement and margining; and document the basis for its determination in a written approval memorandum.

(c) **Anti-Manipulation Considerations.** The NPC shall specifically consider whether the proposed underlying security has been the subject of, or is reasonably susceptible to, price manipulation. Where the NPC identifies elevated manipulation risk, it may impose enhanced position limits, margin requirements, or other risk controls as a condition of listing, or may decline to list the Perpetual SFP.

(d) **Discretionary Authority.** The NPC retains discretion to decline to list a Perpetual SFP on any security, even where all quantitative criteria are satisfied.

(e) **Regulatory Filing.** Following NPC approval, the Exchange shall certify or submit for voluntary approval the new Perpetual SFP with or to the CFTC pursuant to either (i) CFTC Regulations 40.2 and 41.23(a) or (ii) CFTC Regulations 40.3 and 41.23(b), and, where applicable, certify or submit corresponding rule changes with or to the CFTC pursuant to CFTC Regulation 40.5 or CFTC Regulation 40.6. In any case, the Exchange shall ensure compliance with all SEC or CFTC requirements applicable to security futures products.

(f) **Approved Securities List.** The Underlying Securities that have been approved as the subject of Perpetual SFPs listed on the Exchange are set forth in a table maintained and published by the Exchange (the “Approved Securities Table”), which shall be accessible on the Exchange’s website. The Exchange shall update the Approved Securities Table promptly to reflect the addition of any newly approved Underlying Security and the removal of any Underlying Security that ceases to be approved (including as a result of delisting or accelerated final settlement under

this Chapter). Publication of the Approved Securities Table shall not, itself, constitute an amendment of this Chapter.

PART III --- CONTRACT SPECIFICATIONS AND TRADING RULES

Rule 14.9 Contract Specifications

- (a) **Trading Unit.** Each Perpetual SFP shall have a Contract Unit of 100 shares of the Underlying Security. Trades may be entered in fractional Contract Unit quantities, as provided in the applicable Contract Specifications.
- (b) **Price Quotation.** Perpetual SFPs shall be quoted in U.S. dollars and cents per share of the Underlying Security.
- (c) **Minimum Price Fluctuation.** The minimum price fluctuation for Perpetual SFPs shall be \$0.005 per share.
- (d) **Settlement Method.** Perpetual SFPs shall be settled by cash settlement.
- (e) **Daily Price Limits.** There shall be no daily price limits for Perpetual SFPs apart from the trading safeguards set forth in Rule 14.14.

Rule 14.10 Periodic Transfers and Funding Rate for Perpetual SFPs

(a) [Reserved]

(b) [Reserved]

(c) **Premium Computation.** For each Computation Interval during which the U.S. equity cash market is open for regular trading and trading in the Underlying Security is not halted, the Exchange computes the Premium. If no trades or only Block Trades in the Perpetual SFP were executed during a Computation Interval, the Premium for that interval is undefined and is excluded from the Funding Rate calculation. No Premium is computed for any Computation Interval falling in whole or in part within any period described in paragraph (f). Notwithstanding anything to the contrary herein, the computation of the Premium shall not take into account any Block Trades executed or reported to the Exchange during a Computation Interval.

(d) **Funding Rate.** The Funding Rate for a Funding Period shall be determined as follows:

(1) **Mean Premium.** The Mean Premium for a Funding Period equals the equally weighted arithmetic mean of the Premiums computed during that Funding Period: where Premium(1), Premium(2), ..., Premium(N) are the computed Premiums in ascending chronological order and N is the number of Computation Intervals for which a Premium was computed,

$$\text{Mean Premium} = (\sum \text{from } k = 1 \text{ to } N \text{ of Premium}(k)) / N.$$

For the avoidance of doubt, each computed Premium receives identical weight regardless of its chronological position within the Funding Period; the Mean Premium is not recency-weighted,

and no Premium is weighted more heavily by virtue of its proximity to the Daily Settlement Time. If N is zero, the Mean Premium and the Funding Rate shall each be zero.

(2) **Deadband.** The Deadband-Adjusted Premium for a Funding Period equals the Mean Premium reduced in absolute value by the Deadband Threshold, and is zero where the absolute value of the Mean Premium does not exceed the Deadband Threshold:

$$\text{Deadband-Adjusted Premium} = \text{Mean Premium} - \text{clamp}(\text{Mean Premium}, -\text{Deadband Threshold}, +\text{Deadband Threshold}),$$

where $\text{clamp}(x, a, b)$ denotes the value of x limited to the interval from a to b , being a where x is less than a , b where x is greater than b , and x otherwise. Accordingly: (i) where the Mean Premium is positive and greater than the Deadband Threshold, the Deadband-Adjusted Premium equals the Mean Premium minus the Deadband Threshold; (ii) where the Mean Premium is less than the negative of the Deadband Threshold, the Deadband-Adjusted Premium equals the Mean Premium plus the Deadband Threshold; and (iii) in every other case, the Deadband-Adjusted Premium is zero. The Deadband Threshold operates as a continuous reduction in absolute value of the Mean Premium and not as a discontinuous threshold, so that the Funding Rate varies continuously with the Mean Premium.

(3) **Clamp.** The Funding Rate equals the Deadband-Adjusted Premium, limited to the interval from the negative of the Maximum Funding Magnitude to the Maximum Funding Magnitude:

$$\text{Funding Rate} = \text{clamp}(\text{Deadband-Adjusted Premium}, -\text{Maximum Funding Magnitude}, +\text{Maximum Funding Magnitude}).$$

(4) **Single Expression.** Paragraphs (1) through (3) may be expressed together as:

$$\text{Funding Rate} = \text{clamp}(\text{Mean Premium} - \text{clamp}(\text{Mean Premium}, -\text{Deadband Threshold}, +\text{Deadband Threshold}), -\text{Maximum Funding Magnitude}, +\text{Maximum Funding Magnitude}).$$

(e) **Periodic Transfers.** At each Daily Settlement Time at which a Funding Rate is determined:

(1) if the Funding Rate is positive, each holder of a long position shall pay, for each Perpetual SFP contract held, an amount equal to the Funding Rate multiplied by the Daily Settlement Price, multiplied by the Contract Unit, and such amounts shall be paid to holders of short positions; (2) if the Funding Rate is negative, each holder of a short position shall pay, for each Perpetual SFP contract held, an amount equal to the absolute value of the Funding Rate multiplied by the Daily Settlement Price, multiplied by the Contract Unit, and such amounts shall be paid to holders of long positions; and (3) if the Funding Rate is zero, no Periodic Transfer is made. Periodic Transfers apply pro rata to fractional Perpetual SFP contract positions. Periodic Transfers are computed by the Exchange and collected and paid through the Clearing House, and are separate from, and in addition to, Variation Margin and any other payment obligation under

the Rules. Revisions to the Underlying Price Index made after a Daily Settlement Time are not incorporated into the Funding Rate or any Periodic Transfer for the Funding Period then ended.

Illustration. Suppose that, over a Funding Period comprising the regular trading session, 390 one-minute Premiums are computed and their equally weighted mean is +0.050%. The Mean Premium is +0.050%; the Deadband-Adjusted Premium is $+0.050\% - 0.002\% = +0.048\%$; and, because +0.048% is within the Maximum Funding Magnitude, the Funding Rate is +0.048%. If the Daily Settlement Price is \$400.00 and the Contract Unit is 100 shares, each holder of a long Perpetual SFP position pays $\$400.00 \times 100 \times 0.00048 = \19.20 per contract, which is paid to holders of short positions through the Clearing House. If instead the Mean Premium were +0.0015%, the Deadband-Adjusted Premium and the Funding Rate would each be zero and no Periodic Transfer would be made; if the Mean Premium were -0.010%, the Funding Rate would be -0.008% and holders of short positions would pay $\$400.00 \times 100 \times 0.00008 = \3.20 per contract to holders of long positions; and if the Mean Premium were +2.500%, the Deadband-Adjusted Premium would be +2.498% and the Funding Rate would be limited to +2.000%.

(f) Excluded Periods; Disrupted Sessions. (1) No Premium is computed during any period in which the U.S. equity cash market is closed, including weekday overnight hours, weekends, and market holidays, and no Funding Rate payment is derived from price action during such periods, notwithstanding that a Perpetual SFP may trade on the Exchange during such periods. (2) No Premium is computed during any period in which trading in the Underlying Security is halted on its Primary Listing Exchange, whether due to a Regulatory Halt or any other cause; the Funding Rate is computed solely over Computation Intervals during which the U.S. equity cash market was open and trading in the Underlying Security was not halted. (3) If the opening of regular trading is delayed, the Funding Period begins when regular trading actually commences, and no Premium is computed before that time. (4) On a day on which the U.S. equity cash market is scheduled to close early, the Funding Period runs to the scheduled early close, and the Daily Settlement Time and Daily Settlement Price are determined as of that time. (5) If the U.S. equity cash market does not open for regular trading on a day it was expected to be open, or closes unexpectedly before the scheduled close: (i) if no Premium was computed, no Funding Rate is calculated, no Periodic Transfer is made, and the Daily Settlement Price from the immediately preceding determination remains in effect; and (ii) if Premiums were computed for any portion of the Funding Period, the Funding Rate is calculated over those Computation Intervals, and the

Daily Settlement Time and Daily Settlement Price are determined as of the time of the unexpected closure.

(g) Finality; Fallback. Funding Rates and Periodic Transfers determined and published by the Exchange are final, subject to the Market Outcome Review Process under Rule 7.1. If a Funding Rate cannot be determined for a Funding Period (including because no Premium was computed during the Funding Period), the Funding Rate for that Funding Period shall be zero. If a Daily Settlement Price required for a Periodic Transfer cannot be determined under Rule 14.12 and the Contract's terms and conditions, the Exchange may determine it pursuant to Rule 14.12(c)–(d).

(h) Publication. The Exchange shall make publicly available: (1) the methodology set forth in this Rule and the funding parameter values applicable to each Perpetual SFP; (2) the Funding Rate for each Funding Period, promptly following its determination; and (3) a historical record of Funding Rates. The Exchange may also disseminate indicative intraday premium or funding values, which are informational only and not binding.

(i) Monitoring; Amendments. The Exchange monitors the performance of the funding mechanism in maintaining the economic correspondence between the price of each Perpetual SFP and its Underlying Price Index, including through surveillance of Premium behavior around Daily Settlement Times. Any amendment to the methodology set forth in this Rule or to a Contract's funding parameters shall be made in accordance with the Exchange's rules and Applicable Law. Any such amendment shall apply prospectively only and shall not alter the Funding Rate or any Periodic Transfer obligation for any Funding Period ended before the amendment's effective date.

(j) Emergency Authority. In the event of an Emergency, as defined in Rule 2.8 of the Rulebook, the Exchange may take such actions as it deems necessary and appropriate in accordance with the procedures set forth in Rule 2.8, including but not limited to temporarily adjusting the Maximum Funding Magnitude, modifying margin requirements, or imposing additional risk controls.

Rule 14.11 Trading Hours

Perpetual SFPs shall be available for trading from 6:00 PM ET on Sunday through 5:00 PM ET on Friday, with a daily maintenance window from 5:00 PM ET to 6:00 PM ET during which Perpetual SFPs do not trade, subject to trading halts as provided in Rule 14.13 and the Exchange's discretionary authority under Rule 14.15. The Exchange may establish specific trading hours for particular Perpetual SFPs or classes of Perpetual SFPs as it deems appropriate.

Rule 14.12 Mark Price and Daily Settlement Price

(a) Mark Price. The Exchange shall determine the Mark Price for each Perpetual SFP as of the end of each Computation Interval (the "Mark Price Calculation Time") according to the following tiered methodology, applied in descending order:

(i) **Tier 1—Trade VWAP.** If one or more trades other than Block Trades in the Perpetual SFP occur during the Computation Interval, the Mark Price shall be the volume-weighted average price (“VWAP”) of those trades (excluding any Block Trades executed or reported during the Computation Interval). The VWAP calculation shall be adjusted to exclude outliers. The Exchange generally shall apply a Median Absolute Deviation filter but may, in its discretion, exclude other outlier or manipulative transactions. Tier 1 shall not apply, and the Mark Price shall instead be determined under Tier 2 or Tier 3, as applicable, if the VWAP so calculated differs from the Underlying Price Index as of the Mark Price Calculation Time by more than fifty percent (50%) of that Underlying Price Index.

(ii) **Tier 2—Sampled Midpoint Average.** For purposes of this Tier 2, sixty (60) observation points shall occur at exactly N seconds before the Mark Price Calculation Time for each integer N from 1 through 60 (each, an “Observation Point”). The prevailing best bid and prevailing best ask at an Observation Point shall be the best bid and best ask resting on the Perpetual SFP order book as of that instant. An Observation Point shall be “two-sided” if both a prevailing best bid and a prevailing best ask are present at that instant, and the “Midpoint” at a two-sided Observation Point shall be the arithmetic mean of its prevailing best bid and prevailing best ask. A two-sided Observation Point shall be disregarded if the difference between its prevailing best ask and prevailing best bid exceeds ten percent (10%) of its Midpoint. If the Mark Price is not determined under Tier 1, whether because no trades in the Perpetual SFP occur during the Computation Interval or because Tier 1 does not apply as provided in paragraph (a)(1), and at least one Observation Point is two-sided and is not disregarded, the Mark Price shall be the arithmetic mean of the Midpoints at all two-sided Observation Points that are not disregarded.

(iii) **Tier 3—Index Net Change.** If the Mark Price is not determined under Tier 1 or Tier 2, the Mark Price shall equal the prior Mark Price plus the net change in the Underlying Price Index between the prior Mark Price Calculation Time and the current Mark Price Calculation Time.

(b) **Trading Halts.** If trading in a Perpetual SFP is halted during any portion of the Computation Interval, trades occurring during the halt shall be excluded from Tier 1, and no Observation Point occurring during the halt shall be considered two-sided for purposes of Tier 2. If trading in the Perpetual SFP is halted at the Mark Price Calculation Time, the Mark Price shall be determined under Tier 3.

(c) **Mark Price Fallback.** If the Mark Price cannot be determined under any of the tiers set forth in paragraph (a), and the Underlying Price Index is available and reliable, the Mark Price is the Underlying Price Index as of the Mark Price Calculation Time. If the Mark Price cannot be determined under any of the tiers set forth in paragraph (a) and the Underlying Price Index is unavailable or unreliable, the Exchange may determine such Mark Price pursuant to Rule 7.1.

(d) **Daily Settlement Price.** The Exchange shall determine the Daily Settlement Price for each Perpetual SFP as of the Daily Settlement Time by applying the methodology set forth in paragraphs (a) through (c) of this Rule 14.12, except that (i) references to the “Mark Price” shall be read as references to the “Daily Settlement Price” and (ii) references to the “Mark Price Calculation Time” shall be read as references to the “Daily Settlement Time”.

Rule 14.13 Coordinated Trading Halts

(a) **Regulatory Trading Halts.** In accordance with CFTC Regulation 41.25(b)(2), the Exchange shall halt trading in a Perpetual SFP at all times during a Regulatory Halt affecting the Underlying Security. For the avoidance of doubt, no Block Trades in a Perpetual SFP may be executed on or reported to the Exchange during any period during which the Exchange has halted trading in the Perpetual SFP.

(b) **Market-Wide Circuit Breakers.** In the event of a Regulatory Halt resulting from the operation of circuit breaker procedures by a national securities exchange or national securities association, the levels, thresholds, and durations applicable to such market-wide circuit breaker or trading curb procedures are those established by the applicable national securities exchange or national securities association, as in effect from time to time.

(c) **Duration and Resumption.** Suspension of trading due to a Regulatory Halt shall remain in effect until the Primary Listing Exchange of the Underlying Security resumes trading, unless the Exchange determines, in its discretion, that additional conditions must be satisfied before trading in the Perpetual SFP may resume. The Exchange shall resume trading no earlier than the resumption of trading in the Underlying Security on the Primary Listing Exchange, and only when the Exchange determines that price discovery in the Perpetual SFP can occur on a fair and orderly basis.

(d) **Orders During Coordinated Halts.** During a Regulatory Halt, the Exchange may, at its discretion, permit Members to submit, modify, or cancel orders in the affected Perpetual SFP. No matching shall occur during the Regulatory Halt. All market orders resting at the time a Regulatory Halt is initiated shall be cancelled. In connection with any Corporate Action adjustment, the Exchange may halt trading (including execution and reporting of Block Trades) in the affected Perpetual SFP and cancel all resting orders, including limit orders, stop orders, take-profit / stop-loss orders, and any other conditional orders, prior to applying the adjustment and reopening the market. Participants are responsible for re-entering orders after the affected Perpetual SFP reopens for trading.

(e) **Notification.** The Exchange shall promptly disseminate notice to all Members of any coordinated trading halt and the resumption of trading via the Exchange's notification channels and market data feeds.

(f) **Additional Halts.** The Exchange may, at its sole discretion, halt trading (including execution and reporting of Block Trades) in a Perpetual SFP at any time when trading in the Underlying Security is halted for any reason on any national securities exchange listing the Underlying Security.

PART IV --- TRADING SAFEGUARDS

Rule 14.14 Trading Safeguards

(a) The Exchange shall maintain pre-trade and intra-trade safeguards for Perpetual SFPs, which may include price reasonability checks on incoming orders, dynamic and static price bands, volatility interruption mechanisms, and maximum order size and value limits.

(b) The Exchange shall establish and publish the parameters, procedures, and methodologies for such safeguards in an Exchange Notice or technical specification. The Exchange may modify

such parameters, procedures and methodologies at any time and shall communicate material changes to Members.

(c) The parameters for any static price limits shall be calibrated to be consistent with the margin requirements applied to Perpetual SFPs by the Clearing House.

(d) **Self-Match Prevention.** The Exchange shall provide self-match prevention functionality for Perpetual SFPs. The Exchange may require Participants to designate one or more self-match prevention identifiers, and orders bearing the same designated identifier shall not be permitted to execute against one another. Where two opposing orders would otherwise match and are subject to self-match prevention, the Exchange shall cancel or decrement one or both orders in accordance with the methodology established and published pursuant to Rule 14.14(b). Self-match prevention shall not relieve any Participant of its obligations under Rule 5.7 or under the CEA and CFTC Regulations.

(e) **Prohibited Persons.** Without limiting the applicability of the CEA, the Exchange Act, the rules and regulations promulgated thereunder, or any other Rule of the Exchange, the following persons are prohibited from trading in Perpetual SFPs on the Exchange, with respect to a particular Perpetual SFP or derivative thereof: (1) Any person who is an officer, director, or 10% or greater shareholder, subject to Section 16 of the Exchange Act, of the issuer of a security underlying the Perpetual SFP; (2) any person who is in possession of material non-public information regarding the issuer of an Underlying Security; and (3) any individual who is a member of the immediate family or household of a person described in clauses (1) and (2) of this paragraph 14.14(e).

Rule 14.15 Discretionary Exchange Authority

(a) Notwithstanding any other provision of this Chapter, the Exchange shall have the authority to halt, suspend, or restrict trading in any Perpetual SFP, or to modify the parameters of any trading safeguard, at any time and for any duration, if the Exchange determines, in its sole discretion, that such action is necessary or appropriate to: (i) maintain fair and orderly markets; (ii) protect market participants; (iii) address an emergency; (iv) respond to extraordinary market conditions; or (v) comply with applicable law or regulation.

(b) The Exchange may declare Stressed Market Conditions for one or more Perpetual SFPs if, in its judgment, market conditions warrant. During such period, the Exchange may, without prior notice to Members, widen, narrow, or otherwise modify any trading safeguard parameter established pursuant to Rule 14.14.

(c) The Exchange shall report to the CFTC any trading halt, trading suspension, or declaration of Stressed Market Conditions in accordance with Part 38 of the CFTC's Regulations.

PART V --- CUSTOMER MARGIN FOR SECURITY FUTURES PRODUCTS

Rule 14.16 Minimum Customer Margin Requirement

(a) **Perpetual SFP Required Margin.** Each FCM SFP Broker Member must collect and maintain from each FCM Customer, for each Perpetual SFP position carried in the FCM Customer's account, margin in an amount not less than 15.50% (such percentage, the "Perpetual SFP Margin Ratio") of the Current Market Value of the position.

(b) **Calculation.** “Perpetual SFP Required Margin” for each Perpetual SFP position is calculated as follows:

- Current Market Value = Number of Contracts × Contract Unit × Mark Price, determined as set forth in the definition of “Current Market Value” in Rule 14.2.
- Perpetual SFP Required Margin = Current Market Value × Perpetual SFP Margin Ratio.

(c) **No Distinction Between Initial and Maintenance Margin.** The Perpetual SFP Margin Ratio applies at all times to each position. There is no separate initial margin rate or maintenance margin rate. A Perpetual SFP Margin Deficiency arises whenever and to the extent that the margin on deposit falls below the Perpetual SFP Required Margin of the FCM Customer’s open Perpetual SFP positions.

(d) **Aggregate Requirement.** The total Perpetual SFP Required Margin for a FCM Customer account is the sum of the Perpetual SFP Required Margin for each individual Perpetual SFP position.

(e) **Exchange Authority to Impose Higher Margin.** The Exchange may, in its discretion, impose margin requirements in excess of the Perpetual SFP Margin Ratio for any Perpetual SFP or class of Perpetual SFPs, effective upon such notice to FCM SFP Broker Members as the Exchange deems appropriate. Factors the Exchange may consider include market volatility, liquidity conditions, concentration risk, and the financial condition of FCM SFP Broker Members or their FCM Customers.

Rule 14.17 Acceptable Margin Deposits

(a) An FCM Customer may satisfy the Perpetual SFP Required Margin by depositing cash (U.S. dollars) with their FCM SFP Broker Member. The Exchange may, in its discretion and by notice to FCM SFP Broker Members, accept other forms of collateral, which shall be limited to margin securities (subject to the limitations set forth in CFTC Regulation 41.46(b)(2)), exempted securities and other assets permitted under Regulation T of the Board of Governors of the Federal Reserve System to satisfy a margin deficiency in a securities margin account, or any combination thereof, in each case subject to applicable law and to the eligibility, valuation, and haircut requirements established by the Exchange and the Clearing House. The Exchange may impose conditions on, or decline to accept, any form of collateral.

(b) **Valuation.** The collateral value of all collateral accepted to satisfy the Perpetual SFP Required Margin pursuant to Rule 14.17(a) shall be determined in accordance with CFTC Regulations 41.46(c) and 41.46(e). FCM SFP Broker Members are responsible for applying current and accurate valuations.

Rule 14.18 Daily Mark-to-Market and Variation Settlement

(a) All open Perpetual SFP positions must be marked to market daily based on the Daily Settlement Price.

(b) Gains and losses resulting from the daily mark-to-market (also known as “variation settlement”) must be credited or debited to the customer’s account on each business day.

(c) Because Perpetual SFP Required Margin is calculated as a percentage of Current Market Value, the dollar amount of Perpetual SFP Required Margin changes daily as the Daily Settlement Price changes, even if the customer's position size remains constant.

(d) **Funding Rate Payments.** Perpetual SFPs subject to periodic Funding Rate payments shall have such credits and debits applied to the customer's account. Funding Rate credits and debits affect the equity available to satisfy margin requirements, but do not alter the Perpetual SFP Required Margin calculation, which is calculated solely as provided by Rule 14.16(b).

Rule 14.19 Margin Calls and Undermargined Accounts

(a) **Issuance.** A FCM SFP Broker Member must issue a margin call to any FCM Customer whose account has a Perpetual SFP Margin Deficiency following the daily mark-to-market. Any deficiency below Perpetual SFP Required Margin constitutes a margin call event.

(b) **Satisfaction.** Margin calls must be satisfied promptly by the deposit of additional cash; by the deposit of acceptable collateral, as described in Rule 14.17; or by the reduction of positions. The FCM SFP Broker Member's internal policies must specify the timeframe within which margin calls must be satisfied, which timeframe shall be commercially reasonable.

(c) **Liquidation.** If a margin call is not satisfied within the timeframe specified by the FCM SFP Broker Member, the FCM SFP Broker Member may liquidate some or all of the customer's Perpetual SFP positions in accordance with the customer agreement.

(d) **Net Capital Deduction.** Pursuant to CFTC Rule 41.48, if a customer account carries a Perpetual SFP Margin Deficiency and the customer has not met the margin call, the FCM SFP Broker Member must take a net capital deduction under CFTC Regulation 1.17 in the amount of the Perpetual SFP Margin Deficiency.

(e) **Reporting.** Each FCM SFP Broker Member must report to the Exchange, upon request, any FCM Customer account carrying a Perpetual SFP Margin Deficiency that has remained unsatisfied for more than one business day.

Rule 14.20 [Reserved]

Rule 14.21 Member Margin Obligations

(a) **Margin Collection.** Each FCM SFP Broker Member is responsible for collecting and maintaining the Perpetual SFP Required Margin from its customers in accordance with this Part V. A FCM SFP Broker Member may impose margin requirements exceeding those specified herein.

(b) **Systems.** Each FCM SFP Broker Member must maintain margin systems capable of: (1) calculating Perpetual SFP Required Margin in accordance with Rule 14.16(b), separately from any risk-based margin calculations applied to commodity futures positions; (2) accepting and correctly valuing any non-cash collateral accepted by the Exchange and the Clearing House at Regulation T collateral values; and (3) identifying and tracking Perpetual SFP Margin Deficiencies for net capital computation purposes.

(c) **Segregation.** Customer margin deposits for Perpetual SFP positions held in futures accounts must be segregated in accordance with Section 4d of the Commodity Exchange Act and CFTC

Regulation 1.20. Perpetual SFP customer margin may be held in the same segregated account as other domestic futures customer funds.

(d) **Recordkeeping.** Each FCM SFP Broker Member must maintain complete records of all Perpetual SFP margin calculations, margin calls, customer deposits, collateral valuations, liquidation actions, and Perpetual SFP Margin Deficiency reports, in accordance with CFTC Regulations 1.31 and 1.35.

Rule 14.22 Emergency Margin Authority

(a) Without limiting Rule 14.16(e), the Exchange may, in an emergency, impose special margin requirements for specific Perpetual SFPs or accounts, or require FCM SFP Broker Members to collect margin on an intraday basis, effective immediately upon notice to FCM SFP Broker Members.

(b) Any emergency margin action taken under paragraph (a) shall be reported to the CFTC and the SEC as promptly as practicable.

PART VI --- POSITION LIMITS AND REPORTING

Rule 14.23 Speculative Position Limits

(a) **Application.**

Except with the prior written permission of the Chief Regulatory Officer or his designee, all Members must comply with the position limits set forth in this Rule 14.23.

For a Perpetual SFP that the Exchange has announced will be subject to delisting pursuant to Rule 14.7 or accelerated final settlement pursuant to Rule 14.30, the “last three trading days” shall mean the three (3) trading days immediately preceding the date on which the Exchange has determined that final settlement will occur.

Notwithstanding anything to the contrary in Rule 14.23(c) and Rule 14.23(d), no position or positions aggregated in accordance with Rule 14.23(e) shall be permitted in excess of 200,000 Perpetual SFP Standard Contract Equivalents.

(b) **Default Position Limits.** Except as provided elsewhere in this Rule 14.23, the position limit for a Perpetual SFP shall be equal to: (i) at all times other than the last three trading days of an expiring contract, 50,000 Perpetual SFP Standard Contract Equivalents or (ii) during the last three days of an expiring contract, 25,000 Perpetual SFP Standard Contract Equivalents. The number of Standard Contract Equivalents held by a person may not exceed the limit either net or on the same side of the market. In no event shall the applicable limit be established or administered in a manner inconsistent with CFTC Regulation 41.25 and applicable CFTC regulations, guidance or orders.

Notwithstanding the foregoing paragraph, a position in excess of the applicable position limit that arises solely as a result of an adjustment to a Perpetual SFP effected pursuant to Part VII of this Chapter shall not, by reason of the adjustment alone, constitute a violation of this Rule 14.23, provided that the person holding the position does not increase the position on the same side of the market after the adjustment becomes effective.

(c) **Liquidity-Tiered Position Limits.** Where the Estimated Deliverable Supply of the Underlying Security exceeds 20 million shares, the Exchange may, if appropriate in light of the liquidity of trading in the Underlying Security, assign the Perpetual SFP to a liquidity tier and establish a position limit no greater than the lesser of (i) the number of Perpetual SFP Standard Contract Equivalents specified for the applicable tier in the schedule established by the Exchange by notice to Members, and (ii) the equivalent of 12.5 percent of the Estimated Deliverable Supply of the Underlying Security, either net or on the same side of the market, applicable to positions held during the last three trading days of an expiring contract. In no event shall any tiered limit exceed the maximum permitted by CFTC Regulation 41.25(b)(3).

(d) **Position Accountability in Lieu of Position Limits.** For a Perpetual SFP on a single equity security where the Six-Month Total Trading Volume exceeds 2.5 billion shares and there are more than 40 million shares of Estimated Deliverable Supply, the Exchange may adopt a position accountability rule in lieu of a position limit. The position accountability level shall be 25,000 Standard Contract Equivalents, or such lower level as the Exchange may specify with respect to such Perpetual SFP.

(e) **Aggregation.** For purposes of determining compliance with position limits, a Person's positions shall be aggregated with positions that such Person directly or indirectly holds, controls or is obligated in respect of, positions in accounts in which such Person has an ownership, equity, beneficial or other financial interest, and positions held or controlled by any Person or group of Persons acting in concert with such Person.

(f) **Equity Hedging Exemption.** The Exchange may grant exemptions from the position limits set forth in this Rule for Perpetual SFP positions used for qualified hedging strategies, as determined by the Exchange, including but not limited to positions where each Perpetual SFP contract is "hedged" or "covered" by a number of shares of the Underlying Security equal to the Standard Contract Equivalent or securities convertible into such number of the Underlying Security. Applications for exemptions must be filed with the Exchange in such form as the Exchange may prescribe. The Exchange may condition any exemption upon such terms and conditions as the Exchange deems appropriate.

(g) **Periodic Review.** The Exchange shall calculate, on a monthly basis, the Estimated Deliverable Supply and Six-Month Total Trading Volume for each Underlying Security. The Exchange shall adjust position limits as appropriate based on such data and shall file any changes with the CFTC pursuant to CFTC Regulation 41.24.

(h) **Violations.** Any Person who exceeds a position limit established under this Rule shall be deemed to have violated Exchange Rules and shall be subject to disciplinary action. Any Member carrying an account that exceeds a position limit shall take such action as is necessary to bring the account into compliance.

(i) This Rule is adopted pursuant to, and shall be interpreted in a manner consistent with, CFTC Rule 41.25 and the requirements of the CEA and the Securities Exchange Act of 1934 applicable to Perpetual SFPs.

Rule 14.24 Position Accountability

(a) Any Person holding a position exceeding the applicable position accountability level shall, upon request by the Exchange, promptly provide information regarding the nature, size, and

purpose of such position; provide any additional information requested by the Exchange; and consent to halt increasing such position when so ordered by the Exchange.

(b) The Exchange may establish higher position accountability levels for Market Makers on Perpetual SFPs where the Market Maker has quoting obligations, in accordance with the Market Maker program applicable to Perpetual SFPs.

Rule 14.25 Large Trader Reporting

(a) Each Participant shall file with the Exchange daily reports showing the name, address, and positions of each account that has a reportable position in any Perpetual SFP.

(b) A reportable position is any position of 5,000 or more Standard Contract Equivalents, net long or net short, in Perpetual SFPs on a single Underlying Security.

(c) Reports shall be filed by 9:00 a.m. Eastern Time on the business day following the day on which the reportable position existed.

PART VII --- CORPORATE ACTIONS

Rule 14.26 Corporate Actions — General Authority

(a) **Scope.** This Part governs the treatment of Corporate Actions affecting the Underlying Securities of Perpetual SFPs. Matters relating to clearing and settlement not specifically addressed in this Part shall be governed by the Rules of the Clearing House.

(b) **Authority and Standard.** Determinations as to whether and how to adjust the terms of a Perpetual SFP to reflect a Corporate Action affecting the Underlying Security shall be made by the CRO, or such other officer or committee as the Board of Directors may designate, based on the CRO's judgment as to what is appropriate for the protection of investors and the public interest, taking into account fairness to the buyers and sellers of the affected Perpetual SFPs, the maintenance of a fair and orderly market, consistency of interpretation and practice, and the preservation, to the greatest extent practicable, of the economic equivalence of open positions immediately before and immediately after the Corporate Action.

(c) **Covered Events.** Whenever there occurs in respect of an Underlying Security a cash dividend, stock dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, recapitalization, reclassification, reorganization, or similar event, or a merger, consolidation, tender or exchange offer, dissolution, liquidation, or delisting affecting the issuer of an Underlying Security, the number of Perpetual SFP contracts, the Daily Settlement Price, the Underlying Security, or any of them may be adjusted in accordance with this Part.

(d) **General Interpretations and Discretion.** The CRO may, in addition to determining adjustments on a case-by-case basis, adopt interpretations of general application to specified types of events. Every determination of the CRO under this Part shall be made in the CRO's sole discretion and, in the absence of fraud or willful misconduct, shall be conclusive and binding on all Participants and not subject to review.

(e) **Exceptions.** Notwithstanding the general rules set forth in this Part, the CRO may make exceptions in any case or group of cases in which, applying the standard in paragraph (b), the CRO determines an exception to be appropriate. The general rules shall apply unless the CRO affirmatively determines to make an exception.

(f) **Late or Imperfect Notice.** If the Exchange does not learn, or does not learn in a timely manner, of a Corporate Action for which an adjustment would otherwise have been made, the Exchange shall not be liable for any failure to make, or delay in making, such adjustment. In making any determination, the CRO shall apply the standard in paragraph (b) in light of the circumstances known at the time.

(g) **Effective Date.** Adjustments under this Part shall, as a general rule, become effective on the Ex-Date established by the Primary Listing Exchange for the Underlying Security.

(h) **Notice.** Upon becoming aware of a pending Corporate Action that may require an adjustment, the Exchange shall publish an Exchange Notice describing the Corporate Action, the anticipated Ex-Date, and the adjustment or settlement the Exchange expects to apply, and shall publish a supplemental Exchange Notice confirming the adjustment as applied following the close of trading on the last trading day before the Ex-Date.

Rule 14.27 Dividends and Distributions

(a) **Ordinary Distributions.** The economics of an Ordinary Dividend shall be transferred between open interest through the Funding Rate, and no adjustment shall be made to the Contract Specifications, Daily Settlement Price, Contract Unit, or number of outstanding contracts of a Perpetual SFP to reflect an Ordinary Dividend. Because a Perpetual SFP is a perpetual contract with no scheduled expiration at which the prices of the Perpetual SFP and the Underlying Security converge, the decline in the price of the Underlying Security on the Ex-Date is not otherwise offset within the contract; the Funding Rate transfer places long and short open interest in substantially the economic position they would occupy if the dividend amount were paid from short open interest to long open interest directly. No trading halt shall be required in respect of an Ordinary Dividend.

(b) **De Minimis Threshold.** The Exchange shall not be required to take any action under this Rule in respect of a cash distribution that does not exceed twelve and one-half cents (\$0.125) per share of the Underlying Security, or such other threshold as the Exchange may establish by Exchange Notice.

(c) **Extraordinary Distributions.** An Extraordinary Dividend, and any distribution of cash or property (including a spin-off, demerger, or similar distribution of securities of another issuer) that is not an Ordinary Dividend and for which the CRO determines an adjustment to be appropriate, shall be reflected by a per-contract cash amount recorded against open positions and settled in cash at the Daily Settlement Time, at the same time as, but separately from, Variation Margin, by a reduction of the Daily Settlement Price by the value per share of the distributed cash or property, or by such other method as the CRO determines best preserves the economic equivalence of open positions. The CRO may halt trading in the affected Perpetual SFP in connection with an Extraordinary Distribution.

(d) **Determination of Ordinary or Extraordinary.** In determining whether a distribution is an Ordinary Dividend, the CRO shall consider the issuer's stated dividend policy and practice; whether the issuer or a relevant market authority has characterized the distribution as regular, special, accelerated, or deferred; whether the distribution is readily distinguishable from the issuer's regular dividends; the issuer's dividend payment history; and, in the case of a stock dividend or distribution, whether it exceeds ten percent (10%) of the shares of the Underlying

Security outstanding. A cash distribution declared pursuant to a policy or practice of regular payment shall, as a general rule, be deemed an Ordinary Dividend.

(e) **Foreign Withholding.** Where the Underlying Security is issued by a non-U.S. issuer or is held in the form of a depositary receipt, any adjustment or cash amount determined under this Rule shall be determined net of any applicable foreign withholding tax, as the CRO determines.

(f) **Funding Rate Coordination.** Ordinary Dividend economics are transferred through the Funding Rate as provided in paragraph (a), and no separate cash amount shall be recorded against open positions in respect of an Ordinary Dividend. A Corporate Action shall not otherwise give rise to any change in the Funding Rate methodology, which shall continue to be calculated without modification across the event. Where a cash amount is recorded in respect of an Extraordinary Distribution under paragraph (c), that amount and the Funding Rate shall be administered so that the distribution economics are transferred once and not double-counted.

Rule 14.28 Stock Splits, Stock Dividends, and Rights

(a) **Stock Splits, Stock Dividends, and Consolidations.** In the case of a forward stock split, stock dividend, stock distribution, or bonus issue in respect of the Underlying Security, the Daily Settlement Price established immediately before the event shall be proportionately reduced and the number of Perpetual SFP contracts comprising each open position shall be proportionately increased; and in the case of a reverse stock split or consolidation of shares, the Daily Settlement Price established immediately before the event shall be proportionately increased and the number of Perpetual SFP contracts comprising each open position shall be proportionately reduced. In each case the Daily Settlement Price shall be multiplied by, and the number of Perpetual SFP contracts comprising each open position divided by, the ratio of the number of shares outstanding before the event to the number outstanding after the event, the Contract Unit shall remain unchanged at one hundred (100) shares of the Underlying Security, and the notional value of each open position shall be substantially unaffected by the adjustment. The adjustment shall be implemented following the Daily Settlement Time on the Last Cum-Trading Day.

(b) **Rights Offerings.** The Exchange shall ordinarily adjust the terms of a Perpetual SFP to reflect a rights distribution in the manner that best preserves economic equivalence, except that no adjustment shall ordinarily be made to reflect the issuance of rights that are not immediately exercisable, that trade together with the Underlying Security, and that may be redeemed by the issuer (so-called “poison pill” rights). If such rights later become exercisable, begin to trade separately from the Underlying Security, or are redeemed, the CRO shall determine whether an adjustment is appropriate.

(c) **Rounding.** Adjustments of the Daily Settlement Price shall be rounded to the nearest minimum price increment, and adjustments of the number of Perpetual SFP contracts comprising a position shall be rounded to the nearest minimum trading increment under Rule 14.9(a) and the applicable Contract Specifications in the manner the CRO determines, consistent with the methodology of the Clearing House and any relevant reporting authority; any resulting difference between aggregate long and aggregate short open interest shall be resolved by the Exchange in coordination with the Clearing House and shall not be allocated to Participants. Where rounding would not preserve economic equivalence to the greatest extent practicable, the CRO may apply an alternative convention or a compensating cash adjustment.

(d) **In-Place Application.** Adjustments under this Rule shall be applied to existing open positions in place; the affected positions shall not be closed and reopened; and the version identifier of the Perpetual SFP shall be incremented. Order handling across the adjustment shall be governed by Rule 14.32.

Rule 14.29 Mergers, Tender Offers, and Reorganizations

(a) **Tender and Exchange Offers.** No adjustment shall ordinarily be made to reflect a tender offer or exchange offer to holders of the Underlying Security, whether made by the issuer or by a third person and whether for cash, securities, or other property, and without regard to whether the offer may be favorable, adverse, or coercive. A Perpetual SFP shall ordinarily be adjusted or settled to reflect a merger, consolidation, or similar event that becomes effective following completion of such an offer.

(b) **Cash Mergers.** When the Underlying Security is converted in a merger or similar event into the right to receive a fixed amount of cash, the Perpetual SFP shall ordinarily be closed and subject to final cash settlement at such fixed amount of cash.

(c) **Stock-for-Stock Mergers and Reorganizations.** In the case of a merger, consolidation, reincorporation, or similar event in which shares of the Underlying Security are converted into or exchanged for shares of another company, the Perpetual SFP shall ordinarily be closed and subject to final cash settlement in accordance with Rule 14.30 at the value of the shares of the resulting or acquiring company receivable per share of the Underlying Security. The CRO may, in the CRO's sole discretion, instead direct that open positions be converted into positions in a Perpetual SFP listed on the Exchange that references the shares of the resulting or acquiring company, by multiplying the number of Perpetual SFP contracts comprising each open position by the number of such shares receivable per share of the Underlying Security (with rounding as provided in Rule 14.28(c)), the Contract Unit remaining unchanged, each position being deemed closed at its Daily Settlement Price and reopened at the Daily Settlement Price of that Perpetual SFP and any difference settled as Variation Margin. The listing of such a Perpetual SFP shall not create any presumption in favor of conversion.

(d) **Events Not Giving Rise to Adjustment.** No adjustment shall ordinarily be made to reflect a change in the capital structure of the issuer where the Underlying Securities held by the public are not converted into another security, cash, or other property, including the issuance of new or additional debt or equity, the refinancing of outstanding debt, the repurchase by the issuer of less than all of the Underlying Securities outstanding, or the sale of significant assets. A change in the name, ticker symbol, ISIN, CUSIP, or jurisdiction of incorporation of the issuer that does not alter the economic rights attached to the shares shall not give rise to any adjustment, and the Exchange shall update the Contract Specifications accordingly.

(e) **Reservation of Accelerated Final Settlement.** Notwithstanding paragraphs (a) through (d) and Rule 14.28, the CRO may, in the CRO's sole discretion, in lieu of any adjustment or conversion otherwise provided under this Rule or Rule 14.28, effect accelerated final cash settlement of the affected Perpetual SFP in accordance with Rule 14.30 where the CRO determines that continued trading following the Corporate Action would not result in a fair and orderly market, would give rise to material risk or pricing discontinuities, would result in an illiquid or unrepresentative market in the affected Perpetual SFP, or would otherwise be impracticable, inequitable or undesirable.

Rule 14.30 Accelerated Final Settlement

(a) **Trigger Events.** The CRO may declare a Perpetual SFP subject to accelerated final cash settlement upon: a determination under Rule 14.29(e) or any other event that renders continued trading in the Perpetual SFP impracticable or inequitable.

(b) **Final Settlement Price.** Open positions in a Perpetual SFP subject to accelerated final settlement shall be closed by cash settlement at a Final Settlement Price determined in accordance with Rule 14.7(c).

(c) **Timing.** Accelerated final settlement shall occur as promptly as practicable, and ordinarily within three (3) business days, following the CRO's declaration. The Exchange shall provide not less than two (2) business days' notice prior to accelerated final settlement, except where emergency circumstances require more immediate action, and shall not close the affected Perpetual SFP earlier than necessary to give effect to the Corporate Action, in order to minimize premature closures in the event the Corporate Action does not become effective.

Rule 14.31 Reliability of Settlement Prices and Reference Data

(a) **Reliance on Reported Prices.** Unless the CRO directs otherwise, the price of an Underlying Security as reported by the Primary Listing Exchange or other relevant reporting authority shall be conclusively presumed to be accurate and shall be deemed final for purposes of determining Daily Settlement Prices and any Final Settlement Price, even if such price is subsequently revised or determined to have been inaccurate.

(b) **Erroneous or Unavailable Prices.** The Exchange shall not adjust an officially reported price used for settlement, even if it is subsequently found to have been erroneous, except in extraordinary circumstances — such as where a reported price is clearly erroneous and inconsistent with prices reported earlier in the same trading session and a corrected price is promptly published by the reporting authority. In no event shall a completed settlement be reopened on account of an error in an officially reported price. Where a required price is unavailable, the CRO may fix it based on the last available reported price or another reasonable basis consistent with Rule 14.26(b).

Rule 14.32 Operational Provisions

(a) **Trading Halt and Order Cancellation.** Where an adjustment or accelerated final settlement under this Part requires it, trading (including execution and reporting of Block Trades) in the affected Perpetual SFP shall halt and all resting orders shall be cancelled; the order book shall reopen empty; and Participants must re-enter any orders they wish to maintain. The Exchange shall not carry any resting order across an adjustment. The ordinary duration of a halt shall be brief, and the CRO may extend it as the CRO deems appropriate.

(b) **Withdrawal or Modification Prior to Ex-Date.** If, before the opening of trading on the ex-date, the CRO determines that a Corporate Action has been withdrawn or modified or will not occur on the announced terms, the CRO may cancel or recalculate the pending adjustment, in which case the affected Perpetual SFP shall resume trading at its unadjusted Daily Settlement Price and any pending cash amount recorded against open positions shall be cancelled.

(c) **Irrevocability and Remedial Adjustment.** Once an adjustment has been implemented following the Ex-Date, it shall be irrevocable. If a Corporate Action is subsequently cancelled, withdrawn, or reversed, the CRO may implement a remedial adjustment, which may be

prospective or may include compensating cash payments in either direction, to restore economic equivalence to the extent practicable.

(d) **New Listings.** On or after the Ex-Date, the Exchange may list new Perpetual SFPs referencing the same Underlying Security with unadjusted terms, except where the Underlying Security has been delisted, suspended, or extinguished or the Perpetual SFP has been closed by accelerated final settlement, in which case relisting shall occur only on a post-event basis as the CRO determines appropriate.

(e) **Clearing and Regulatory Coordination.** Any cash amount or settlement under this Part shall be administered in coordination with the Clearing House, and the Exchange shall coordinate with the CFTC, the SEC, the Primary Listing Exchange, and relevant reporting authorities and data vendors so that adjustments are accurately reflected in published market data and regulatory reports.

(f) **Limitation of Liability.** Neither the Exchange nor its directors, officers, employees, or agents shall be liable to any Participant for any loss arising from a determination made by the CRO under this Part, from any delay or error in implementing an adjustment made in good faith, or from the cancellation of orders under this Part.

PART VIII --- SALES PRACTICES

Rule 14.33 Customer Accounts and Risk Disclosure

(a) Each SFP Broker Member effecting customer transactions in Perpetual SFPs must comply with the sales practice requirements of the National Futures Association and, to the extent applicable, the rules of any national securities association of which such SFP Broker Member is a member, including suitability obligations and customer account approval procedures.

(b) Before opening an account for a customer to trade Perpetual SFPs, an SFP Broker Member must deliver to the customer the Risk Disclosure Statement for Security Futures Contracts prescribed jointly by the National Futures Association and the Financial Industry Regulatory Authority, and must obtain written acknowledgment of receipt.

PART IX --- MARKET SURVEILLANCE

Rule 14.34 Market Surveillance

(a) The Exchange shall conduct real-time market surveillance of all trading activity in Perpetual SFPs to detect potential violations of Exchange rules, the CEA, the Exchange Act, and other applicable laws and regulations.

(b) Market surveillance shall include monitoring for: manipulation of Perpetual SFP prices or the prices of Underlying Securities; insider trading; front-running; violations of position limits and reporting requirements; wash trades; self-referencing or self-matching trades; and other fraudulent or manipulative practices.

Rule 14.35 Intermarket Surveillance

(a) The Exchange shall maintain membership in the Intermarket Surveillance Group ("ISG") and shall comply with all ISG requirements for the sharing of surveillance information.

(b) The Exchange shall share information with other markets on which the Underlying Securities and related securities trade, including transaction information, customer identity information, position information, and any other information necessary for coordinated surveillance.

(c) The Exchange shall coordinate with other markets in investigating potential violations involving Perpetual SFPs and the Underlying Securities.

Rule 14.36 Audit Trail and Recordkeeping

(a) The Exchange shall maintain an audit trail sufficient to facilitate coordinated surveillance among the Exchange, any market on which an Underlying Security is traded, and any market on which any related security is traded.

(b) The audit trail shall capture, at a minimum: the time of order receipt and execution (to the millisecond); the identity of the Participant entering the order; the identity of the customer, if applicable; the terms of the order; any modifications or cancellations; and the execution price and counterparty.

(c) The Exchange shall maintain records of all transactions in Perpetual SFPs for a period of not less than five years, the first two years in an easily accessible place.

(d) Participants shall maintain records as required by CFTC Regulations and SEC Rules applicable to broker-dealers, including customer account records, order tickets and confirmations, margin records, and communications with customers. Records shall be made available to the Exchange, the CFTC, and the SEC upon request.

PART X --- MEMBERSHIP AND AFFILIATIONS

Rule 14.37 SFP Eligibility Criteria

In addition to the compliance with the requirements and satisfaction of the conditions set forth in Chapter 3, a Member must satisfy the following criteria in order to be eligible for membership to transact in or intermediate transactions in Perpetual SFPs:

- (a) Not be subject to a statutory disqualification under Section 3(a)(39) of the Exchange Act or Section 8a(2) of the CEA;
- (b) Not be subject to any order denying, suspending, or revoking registration or membership with any securities or futures regulatory authority; and
- (c) In the case of an FCM Member or IB Member, (i) be registered in good standing with the CFTC and be registered with the SEC as a broker-dealer (or operate pursuant to notice registration under Section 15(b)(11) of the Exchange Act) and (ii) be a member in good standing of NFA.

Rule 14.38 Affiliated SFP Broker Member

- (a) **Eligibility Requirements.** In order to intermediate Perpetual SFP transactions on the Platform, an Affiliated SFP Broker Member must be an FCM and must satisfy the eligibility requirements applicable to SFP Broker Members pursuant to Rule 14.37 as well as the requirements and conditions of this Rule 14.38.

- (b) **Third-Party DSRO.** The Exchange shall not permit an Affiliated SFP Broker Member to intermediate Perpetual SFP transactions on the Platform unless the surveillance of the Affiliated SFP Broker Member otherwise required of the Exchange under CFTC Regulation 1.52(c) is conducted by a Third-Party DSRO.
- (c) **No Misrepresentations.** An Affiliated SFP Broker Member approved to intermediate Perpetual SFP transactions on the Platform shall not represent or imply that its affiliation with the Company confers any advantage in access, execution, information or regulatory treatment.
- (d) **Approval and Documentation.** The Exchange may, in its sole discretion, approve, deny, or condition any Affiliated SFP Broker Member's application to intermediate Perpetual SFP transactions on the Platform as the Exchange deems necessary or appropriate, so long as such action is impartial, transparent, fair, and non-discriminatory. The Exchange shall document and disclose any approval, and any subsequent withdrawal or termination of such approval, of an Affiliated SFP Broker Member to intermediate Perpetual SFP transactions on the Platform by Exchange Notice, which Exchange Notice shall specify the functions to be performed by such Affiliated SFP Broker Member in relation to the Platform.
- (e) **Affiliated SFP Broker Member Privileges.** An Affiliated SFP Broker Member approved by the Exchange to intermediate Perpetual SFP transactions on the Platform will be an FCM of Kalshi and will have the privileges of an FCM set forth in Rule 3.2(g) solely with respect to Perpetual SFPs, subject to this Rule 14.38 and all Rules of the Exchange applicable to FCM SFP Broker Members to the same extent and on equal terms as such Rules apply to other FCM SFP Broker Members.
- (f) **Prohibited Functions.** Except to the extent encompassed by acting in accordance with Rule 14.38(e) on the same terms and conditions as any other FCM SFP Broker Member, an Affiliated SFP Broker Member may not provide or perform any optional or mandatory order-routing services to Participants of the Exchange, including the receipt of order instructions from Participants and the reporting of resulting executions to the Exchange, co-location services, market data services or any other services or functions determined by the Exchange, in its sole discretion, to constitute a system of communication from or to the Exchange for the purpose of effecting transactions on the Exchange.
- (g) **Non-Exclusivity; Impartial Access.** The Exchange shall not:
- (i) Permit the entry of orders through an Affiliated SFP Broker Member that result in FCM Customers of such Affiliated SFP Broker Member receiving privileged treatment by the Platform in any respect or being placed at a competitive advantage *vis a vis* Participants who enter orders otherwise than through an Affiliated SFP Broker Member.
 - (ii) Establish or administer the Platform or any Rule, policy, fee, order routing, communication or other system, margin requirement or other functionality in a

manner designed or reasonably likely to privilege an Affiliated SFP Broker Member relative to other FCM SFP Broker Members.

- (h) **Confidentiality Requirements.** The officers and directors of the Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the functions of any Affiliated SFP Broker Member. Notwithstanding this Rule 14.38(h), the Exchange may furnish to an Affiliated SFP Broker Member the same information on the same terms that the Exchange makes available in the normal course of business to any other SFP Broker Member and may, as necessary to administer the Rules or comply with Applicable Law, communicate non-public information to an Affiliated SFP Broker Member that relates solely to that Affiliated SFP Broker Member or one or more of its FCM Customers.
- (i) **Independent Governance.** Consistent with Rules 2.9 and 12.3 and CFTC Regulation 1.69, only Public Director members of the Company's Board, Regulatory Oversight Committee, Disciplinary Panel, Outcome Review Committee, or Appeals Committee may take part in matters for which the Affiliated SFP Broker Member is a named party in interest. The Chief Compliance Officer shall report any such matter to the Regulatory Oversight Committee.
- (j) **Kalshi Prime.** Kalshi Prime shall be the sole Affiliated SFP Broker Member initially approved to intermediate Perpetual SFP transactions on the Platform. Kalshi Prime's capitalization derives from the holding company that owns the Company and Kalshi Prime. The Company does not guarantee the obligations of Kalshi Prime, and the Company and Kalshi Prime have no lending or other financing arrangements with each other.

PART XI --- MISCELLANEOUS

Rule 14.39 Interaction with Margin and Clearing

- (a) **Consistency with Margin Methodology.** The parameters for Static Daily Limits established pursuant to Rule 14.14 shall be calibrated to be consistent with the margin requirements applied to Perpetual SFPs by the Clearing House, such that the maximum permitted intraday price movement does not exceed the coverage provided by margin under normal market conditions.
- (b) **Margin Calls During Trading Halts.** During any trading halt or volatility interruption pursuant to this Chapter, the Clearing House shall not issue margin calls that require liquidation of positions in the halted Perpetual SFP, unless the halt persists for a duration exceeding the threshold established by the Clearing House. Members remain responsible for meeting margin obligations.

Rule 14.40 Regulatory Filings

- (a) Where a Corporate Action adjustment or other action under this Chapter results in a material change to the terms of a Perpetual SFP, the Exchange shall make any required filing with the

CFTC under Rule 40.6 or Rule 40.5, and with the SEC as may be required under the Securities Exchange Act of 1934.

(b) Material amendments to this chapter shall be submitted to the CFTC and SEC in accordance with applicable filing requirements.