

Congress of the United States
Washington, DC 20515

October 30, 2026

The Honorable Paul S. Atkins
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Atkins:

We write to express our serious concern regarding the anticipated availability to American investors of highly leveraged derivatives tied to individual U.S. equities, commonly referred to as "perpetual derivatives" or "perpetual futures." We are concerned that these products may reach retail investors without the protections Congress established under the federal securities laws to prevent significant investor losses and to preserve the integrity of our securities markets. We urge the Securities and Exchange Commission (the "Commission") to act without delay to ensure that these products do not begin trading until those protections are firmly in place.

We are deeply concerned that, by permitting platforms regulated by the Commodity Futures Trading Commission ("CFTC") to assert jurisdiction over these instruments, the Commission is not fulfilling the responsibility Congress entrusted to it to protect investors and safeguard our securities markets. The consequences could be severe: widespread retail investor losses, new opportunities for fraud and manipulation, and lasting harm to the U.S. equity markets that are central to the American economy.

Perpetual derivatives allow investors to take leveraged positions on individual stocks through trading platforms that operate outside the national market system. For example, with more than six times leverage, an investor could put down just \$500 and control more than \$3,000 worth of stock. At that level, a price drop of less than 17 percent could wipe out the entire investment and force the position to be closed, even if the stock later recovers.

These products are structured in a way that harms the very investors they are marketed to. Retail investors bear the losses, and public companies whose shares are referenced may suffer as well. The primary beneficiaries are prediction market platforms, which collect fees on every trade while currently operating under far looser oversight than traditional securities exchanges. Several of these platforms are already under scrutiny for aggressively targeting retail investors through social media advertising, paid influencers, and promises of easy profits.

Unlike national securities exchanges, CFTC-regulated platforms operate outside key elements of the SEC's national market system, including its consolidated audit and transparency framework. This raises a significant concern: highly leveraged trading in perpetual derivatives could influence the prices of the underlying stocks or facilitate manipulation, while the Commission and the securities exchanges may lack the information needed to detect and deter such conduct.

In September, several CFTC-regulated platforms submitted filings to list perpetual derivatives referencing individual U.S. stocks, relying on expedited procedures that could permit trading to begin as early as November 2nd. Because these products are tied directly to individual securities, they fall squarely within the SEC's jurisdiction under the federal securities laws. We are deeply concerned that trading may begin before the Commission exercises that authority and ensures the protections those laws require are in place.

The Commission should not remain on the sidelines while CFTC-regulated platforms bypass the investor protections Congress enacted for the U.S. securities markets. We urge the Commission to assert its jurisdiction over these products and to intervene immediately to prevent them from trading until the serious risks they pose to retail investors and market integrity have been addressed and the protections required by the federal securities laws are in place and enforced. Congress vested the Commission with this authority precisely so that it would be exercised in moments like this one; choosing not to would be a serious failure of the Commission's mission, leaving American investors exposed to these risks without the protections they are owed under the law.

These developments warrant particular care given the financial conflicts of interest involved. Kalshi, one of the platforms seeking to offer these products, counts Donald Trump Jr., the President's son, as a strategic adviser and equity holder. As these platforms seek to expand into the U.S. equity markets, it is essential that the agencies' regulatory decisions be, and be seen to be, grounded solely in the law and the protection of investors.

The stakes for American investors and the integrity of our markets are too high to allow these products to proceed unchecked. We therefore urge the Commission once more to assert its jurisdiction over perpetual derivatives tied to individual U.S. stocks and to act before November 2nd to ensure that they do not begin trading until the full protections of the federal securities laws are in place. As Members of the House Committee on Financial Services, we will continue to follow this matter closely, and we stand ready to work with the Commission to ensure that investors receive the protections Congress intended. Thank you for your attention to this matter.

Sincerely,



BRAD SHERMAN
Member of Congress
Ranking Member,
Subcommittee on Capital Markets



JOYCE BEATTY
Member of Congress
Ranking Member,
Subcommittee on National Security,
Illicit Finance, and Financial Institutions