UTEX

Pre-IPO Futures

A pre-IPO futures is a cash-settled futures contract for the price of the underlying asset. The underlying asset represents common stock of a private company that, according to UTEX analysts, is expected to go public within 1-3 years after the futures starts trading on our platform.

Below are the rules of trading pre-IPO futures and its expiration scenarios.

Lifecycle of pre-IPO futures

Trading before expiration

1. Before futures expiration, user can buy and sell it on UTEX exchange.
2. The initial price of every contract and its liquidity is provided by the market maker. In the course of trading, the futures price is determined by the supply and demand of UTEX user participants. They evaluate possible profits and risks by themselves.
3. Expiration takes place some time after the occurrence of the target scenario. Its type determines expiration conditions and terms. See the details below.
4. After the company becomes listed and before the futures expires, trading continues as before. The price of the underlying asset on the public market may differ from the futures price for it.
5. During futures trading, the issuer of the underlying asset may split its shares. In this case, we perform a similar operation with the futures on the company's stock which trades on UTEX.

Standard scenario

If a company has its futures trading on UTEX:

1. Goes public.
2. Does a direct listing.
3. Becomes public through a merger with SPAC.

The futures' expiration occurs 200 days after the beginning of trading the company's stock in the public market. This period may vary depending on the situation on the stock exchange, the administrative processes linked with transfer of the private company's shares to our account and other scenarios that are beyond UTEX's control.

We announce the expiration date in advance on our social media pages, as well as in an email to futures holders.

On the expiration day:

1. New applications can no longer be submitted.
2. All active applications for buying and selling get canceled.
3. All futures on pre-IPO stock of the given company in users' accounts are sold at the stock price on the public market at the opening of the trading day. The price is set on the basis of publicly available information from official sources.
4. The ticker is deleted from the interface of UTEX exchange.

- Note. In a scenario with a SPAC merger, the shares of a private company are converted into shares of a public company. As part of this procedure, the company may perform a split. In that case, we perform a similar operation for a futures contract on this company's shares on UTEX. This may result in a price change per futures and the total number of futures in circulation, but the size of users' positions will remain the same.

Non-standard scenario: M&A

If a company whose futures trades on UTEX is taken over by another company (except for a SPAC), the expiration date and terms will depend on the terms of the deal. We will keep users updated as details become available.

On the expiration day:

1. New applications can no longer be submitted.
2. All active applications for buying and selling get canceled.
3. All futures in UTEX users' accounts are sold at the price of the shares within the M&A deal.
4. The ticker is deleted from the interface of UTEX exchange.

Stressful scenario: bankruptcy

If a company whose stock futures trades on UTEX declares bankruptcy, the expiration date is set individually, taking the situation into account. We will keep users updated as details become available.

On the expiration day:

1. New applications can no longer be submitted.
2. All active applications for buying and selling get canceled.
3. All futures in users' accounts are sold for $0.
4. The ticker is deleted from the interface of UTEX exchange.

Non-standard scenario of trading ceasing

A company may cease to exist in legal form in other ways the scenarios in these rules don't provide for.

In this case, the expiration price is determined by the administrator guided by the objective of setting a fair price. The difference between the expiration price and any other price of the company's stock is at user's risk.

We reserve the right to terminate trading in any pre-IPO futures unilaterally. In this case, the information about the date and expiration price will be posted at least 10 days before trading ceases.

Liquidity

What provides liquidity and how a futures contract appears on UTEX

1. Primary liquidity is provided by a market maker, a trading participant with increased KYC requirements.
2. UTEX exchange checks market makers for ownership in a company's stock to cover the risks associated with opening short positions.
3. Opening a short position is available only to a market maker. We will additionally inform you about the possibility of opening short positions for all users.
4. A new futures contract is added to the exchange when we find a market maker willing to provide liquidity for the instrument.

Notice of risk

1. Pre-IPO futures is an inherently risky instrument. By using this instrument, a user can lose all of his or her money. Before buying futures, make sure you understand the risks involved.
2. If necessary, we can change the expiration date unilaterally, which we will notify all users of in advance.