UTEX

Pre-IPO Futures

A futures contract on the price of the underlying asset at IPO. The underlying asset is a company's common stock.

The shares of companies that, according to UTEX analysts, will go public within 1-3 years from the starting date of pre-IPO futures trading, may be used as underlying assets.

Pre-IPO futures lifecycle

Trading before expiration (automatic closing of positions)

1. Before expiration of a stock futures contract, user can buy or sell it on the UTEX exchange
2. During the course of trading, the futures price is determined by the interaction of supply and demand among its participants — UTEX users. Users themselves evaluate possible gains and risks
3. Expiration occurs some time after the target scenario takes place. The exact dates depend on the target scenario (see below)
4. After a company goes public and until a futures contract expires, trading continues as before. The price on the public market may be different from the UTEX price.

Target scenario: IPO

If a company goes public, the automatic closing of positions (expiration) occurs 200 days after the company's stocks start trading on the public market.

On the expiration day:

1. New orders can no longer be submitted
2. All active orders for buying and selling get canceled
3. On the expiration day, all futures contracts in user accounts will be sold at the public market share price with the current trading day's opening. The price is determined on the basis of publicly available information from official sources
5. The ticker is deleted from the interface of UTEX

Target scenario: direct listing

If a company lists its shares directly on an exchange, the automatic closing of positions (expiration) occurs 200 days after the company's stocks start trading on the public market.

On the expiration day:

1. New orders can no longer be submitted
2. All active orders for buying and selling get canceled
3. On the expiration day, all futures contracts in user accounts will be sold at the public market share price with the current trading day's opening. The price is determined on the basis of publicly available information from official sources
5. The ticker is deleted from the interface of UTEX

Target scenario: acquisition by a SPAC

The automatic closing of positions (expiration) occurs within 180 days of the final closing of an acquisition deal with the company's common stock.

The exact date of futures expiration is posted through UTEX official channels at least 10 days before the expiration.

On the expiration day:

1. New orders can no longer be submitted
2. All active orders for buying and selling get canceled
3. All futures in users' accounts are sold at the price of the shares within SPAC's acquisition deal. The price is set on the basis of publicly available information from official sources
4. The ticker is deleted from the interface of UTEX

- The price of common stock in a merger or acquisition may differ significantly from the price obtained by a simple division of capitalization in the event of reaching a deal by the amount of stock issued, due to the different terms of the deal for common stockholders and preferred stockholders.
- The price of common stock in a SPAC's merger or acquisition may not be available from public sources. In this case, the expiration price is determined by the UTEX exchange administrator who will rely on the information available to him. The difference between the futures expiration price and the potentially differing price of a company's common stock when a merger or acquisition occurs is UTEX user's risk.

Non-standard scenario: Merger

The automatic closing of positions (expiration) occurs within 30 days of the final closing of a merger or acquisition deal.

UTEX trading exchange doesn't post additional information about the expiration date in the event of a merger or acquisition deal.

On the expiration day:

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

- The price of common stock in a merger or acquisition may differ significantly from the price obtained by a simple division of capitalization in the event of reaching a deal by the amount of stock issued, due to the different terms of the deal for common stockholders and preferred stockholders.
- The price of common stock in a merger or acquisition may not be available from public sources. In this case, the expiration price is determined by the UTEX exchange administrator who will rely on the information available to him. The difference between the futures expiration price and the potentially differing price of a company's common stock when a merger or acquisition occurs is UTEX user's risk.

Stressful scenario: Bankruptcy

The automatic closing of futures positions (expiration) occurs within 30 days of the official announcement about a company's bankruptcy posted on a resource.

UTEX trading exchange doesn't post additional information about the expiration date in the event of a company's bankruptcy.

On the expiration day:

1. New orders can no longer be submitted
2. All active orders 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

- The price of common stock in the event of bankruptcy may differ from $0. The difference between the futures price and the price of the shares in the event of bankruptcy is UTEX users' risk.

Non-standard scenario of trading ceasing

1. A company may cease to exist in legal form in other ways UTEX exchange does not provide futures expiration scenarios for. In this case, the expiration price shall be 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 UTEX user's risk
2. UTEX Administration reserves the right to terminate trading in any pre-IPO futures unilaterally. In this case, the information about the date and expiration price shall be published at least 10 days before trading ceases

Liquidity

Who provides liquidity and how a futures contract originates 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 of 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. New instruments are added to the exchange when we find a market maker willing to provide liquidity on futures contracts for the common stock of a company expected to go public within the next 1-3 years
5. 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