

June 10, 2026

Adena T. Friedman
Chair and Chief Executive Officer
Nasdaq, Inc.
151 W. 42nd Street
New York, NY 10036

Re: Request for Answers Concerning the Nasdaq-100 Fast-Entry Rule

Dear Ms. Friedman:

We write as the Comptroller of Maryland, the State Treasurer of Illinois, and the Oregon State Treasurer, collectively representing hundreds of thousands of public employees as constituents and over 1.5 million working and retired public servants, teachers, firefighters, police officers, nurses, and other beneficiaries of our state retirement systems. Those beneficiaries' retirement security depends on the long-term health of the U.S. public capital markets and stability of passive investment vehicles tracking indexes with reliable, tested inclusion methodologies.

We write on behalf of [description of signatory Officials] to request that Nasdaq disclose the analysis it conducted concerning the Nasdaq-100 "fast entry" rule changes' impact on investors in index-tracking funds and to justify the rule changes in light of the potential of increased investor protection risks resulting from them.¹

As you know, the fast-entry rule, effective May 1, 2026, allows newly listed companies to enter the Nasdaq-100 after just 15 trading days, eliminates the prior 10% minimum free-float requirement, and introduces a 3x float multiplier for low-float securities. These changes were enacted through a 25-day consultation period (February 2-27, 2026) and finalized on March 30, 2026 — one day before SpaceX filed its confidential S-1 with the SEC.²

The Scale and Shift of the Risk

The Nasdaq-100 is tracked by over \$662 billion in ETF assets and mutual funds, and an estimated \$1.4 trillion in total exposure including structured notes, insurance, and derivatives.³ When SpaceX enters the index under the fast-entry rule, every fund tracking the index will be required to purchase SpaceX shares despite the apparent lack of price discovery or independent research coverage (given reports that 21 major banks are participating in the underwriting).

SpaceX's estimated free float is approximately 5% of shares outstanding. The median free float of the current Nasdaq-100 top 10 is 88%. At 5%, SpaceX would have a lower float than the average of other index constituents by a factor of seventeen. Academic and industry

¹ https://indexes.nasdaqomx.com/docs/Nasdaq-100_Index_Consultation_February_2026_Summary_of_Responses_and_Conclusion.pdf.

² https://indexes.nasdaq.com/docs/Methodology_NDX.pdf.

³ <https://www.etf.com/sections/news/nasdaq-100r-ndx-ecosystem-evolution-power-investor-choice-worldwide>.

research consistently documents that low-float index inclusions produce artificial price inflation followed by reversal, with losses borne disproportionately by passive investors.⁴

Exacerbating the risks stemming from the historically low float for SpaceX's public offering, the 15-day inclusion window following listing will fall entirely within the period during which the IPO underwriters are permitted to stabilize the stock price under SEC Regulation M. Index funds will therefore be purchasing shares at prices that are being actively supported by the deal's own banks. Moreover, short selling, one of the primary mechanisms by which overpricing is corrected, is mechanically difficult in the immediate post-IPO period.

Taken together, these dynamics suggest there will be little to no traditional price discovery through market processes.

Further, it appears that the costs of the arrangement ultimately will be borne by the index fund investors who are forced to buy at the resulting prices, and potentially the investment advisors of these funds who are Nasdaq's index customers. The majority of those forced buyers are tax advantaged retirement and savings accounts – including 401(k), 403(b), 457(b), 529, TSP, IRA and HSA participants – whose default investment options are built on index funds, and pension funds that benchmark to these major indexes..

Specific Concerns about Fast-Tracking SpaceX

We urge Nasdaq to consider whether the specific characteristics of SpaceX are consistent with either the investor protection obligations that Nasdaq bears as the operator of the Nasdaq Stock Market or the expectations of Nasdaq to provide investors with a consistent methodology for security selection and weighting in its indexes, particularly the Nasdaq-100.

We have significant concerns with respect to the fast-tracked inclusion of SpaceX, in particular, as outlined below.

- **Valuation:** At \$1.75 trillion, SpaceX would enter the Nasdaq-100 at approximately 94× trailing revenue and 265× consolidated adjusted EBITDA, on a net loss of approximately \$5 billion.⁵ No public company of comparable scale has ever traded at these multiples. In comparison, Meta generates \$200 billion in revenue and trades at approximately \$1.6 trillion.⁶ SpaceX would trade at a higher market capitalization on one-tenth the revenue. Nvidia at peak AI euphoria traded at 40×–45× revenue, less than half SpaceX's anticipated 94x multiple.⁷ Furthermore, based on information available to the public, the pre-IPO valuation for SpaceX does not appear to have been established through arm's-length price discovery; it walked from a \$350 billion valuation in December 2024 to a \$1.25 trillion valuation in February 2026 through a sequence of secondary transactions and a related-party merger in which the CEO reportedly controlled both sides.⁸

⁴ <https://www.thestreet.com/personal-finance/michael-burry-sounds-alarm-on-whats-coming-for-401ks>; <https://www.dimensional.com/us-en/newsroom/bloomberg-dimensional-stirs-up-old-passive-investing-fears>.

⁵ <https://www.reuters.com/world/spacex-conquered-stars-now-eyes-bigger-opportunity-ai-2026-04-23/>; <https://www.theinformation.com/articles/spacex-posted-nearly-5-billion-loss-last-year-ai-spending>.

⁶ <https://investor.atmeta.com/investor-news/press-release-details/2026/Meta-Reports-Fourth-Quarter-and-Full-Year-2025-Results/default.aspx>.

⁷ Based on 12-month trailing revenue, Q1 2024; see also: <https://stockanalysis.com/stocks/nvda/financials/ratios/?p=quarterly>.

⁸ \$350B (Dec 2024): <https://www.cnbc.com/2024/12/11/spacex-valuation-surges-to-350-billion-as-company-buys-back-stock.html>; \$800B (Dec 2025): <https://fortune.com/2025/12/13/spacex-ipo-plan-2026-secondary-offering-insider-share-sale-800-billion-valuation/>; \$1.25T (Feb 2026): <https://www.cnbc.com/2026/02/03/musk-xai-spacex-biggest-merger-ever.html>.

Governance: The S-1 reportedly confirms a dual-class share structure (10 votes per insider share vs. one vote for public shareholders), controlled-company status (no majority-independent board required), mandatory arbitration (shareholders cannot sue in court)⁹, and a provision that the CEO “can only be removed from our board or these positions by the vote of Class B holders” — apparently meaning only Musk can fire Musk.¹⁰

- **CEO risk:** In March 2026, a San Francisco federal jury found the CEO liable for materially false or misleading statements in connection with the 2022 Twitter acquisition (damages estimated at approximately \$2.1 billion).¹¹ A separate SEC enforcement action over Twitter disclosure failures was settled with a \$1.5 million fine imposed.¹²

As elected officials charged with overseeing the financial integrity of our respective jurisdictions’ investment portfolios, we rely on the soundness of Nasdaq’s index inclusion methodology for hundreds of billions in passive investments, collectively. IWe believe it is incumbent on Nasdaq to provide a compelling explanation of how and why it determined the benefits of the rule changes outweighed the risks, including a detailed outline of what analysis was conducted and reviewed by the Nasdaq Board of Directors (the “Board”) in approving the rule change.

Questions Nasdaq Needs to Answer

In light of the concerns outlined above, we respectfully ask you to address the following questions:

- Did Nasdaq conduct a formal analysis of the impact of the fast-entry rule on investors in Nasdaq-100 tracking funds before enacting the change? If so, we request that this analysis be disclosed publicly. If not, we ask that you explain why a rule change affecting over \$1.4 trillion in investor assets was adopted without such an analysis.
- Did Nasdaq evaluate the specific risk created by allowing a stock with approximately 5% float to enter the Nasdaq-100 within 15 trading days of its IPO? Did it model the price impact of forced buying on a float this small? Did it consider, for example, the VinFast precedent, in which a low-float Nasdaq listing reached a \$200 billion market cap before collapsing?¹³ If so, we call on you to disclose that analysis publicly.
- Did Nasdaq assess whether the 15-day inclusion window, which falls entirely within the Regulation M stabilization period, would result in index funds purchasing at artificially supported prices? Did Nasdaq consider requiring that inclusion occur only after the stabilization period ends?
- How did Nasdaq evaluate the potential conflict of interest between Nasdaq's exchange business (which benefits from attracting company listings) and its index business (which determines when passive funds buy certain shares)? What governance mechanisms, if any, ensure that index methodology decisions are made independently of exchange

⁹ <https://www.reuters.com/world/musk-insiders-retain-voting-control-spacex-after-ipo-filing-shows-2026-04-21/>.

¹⁰ <https://www.reuters.com/world/only-elon-musk-can-fire-elon-musk-spacex-filing-shows-2026-04-29/>.

¹¹ <https://www.cnbc.com/2026/03/20/elon-musk-determined-to-be-liable-for-misleading-twitter-investors.html>.

¹² <https://www.reuters.com/sustainability/boards-policy-regulation/elon-musk-settles-sec-lawsuit-over-twitter-disclosures-15-million-fine-imposed-2026-05-04/>.

¹³ <https://www.acadian-asset.com/investment-insights/owenomics/special-treatment-for-the-spacex-ipo>.

commercial interests? Was the Board involved in those processes, and if so, how? If not, why not?

- Did any companies, including SpaceX or its advisers, play any role in the development of the fast-entry rule? Was the rule proposed, in whole or in part, in response to communications from any companies, including SpaceX or its underwriters, about listing on Nasdaq? If so, when did those communications begin relative to the February 2, 2026, consultation launch?
- How did the Board weigh the 25-day consultation feedback? The Summary of Responses notes that “several individual investors, in nearly identically worded submissions, expressed opposition,” and “cited concerns that a reduced seasoning period might reduce price discovery for IPOs and could direct passive investment flows to unproven or overvalued securities.” How were these concerns addressed in Nasdaq’s finalization of the rule changes?
- Did Nasdaq consider a longer inclusion window (e.g., 30, 60, or 90 days) that would allow for price discovery beyond the stabilization period, or a minimum float requirement that would reduce volatility and better align public share supply and demand before inclusion? If these alternatives were considered and rejected, what was the basis for rejection?

Request to Pause Implementation

If Nasdaq did not conduct a formal investor impact analysis that addresses the questions above – at a minimum – before enacting the fast-entry rule, we respectfully request that the Nasdaq pause implementation of the rule until such an analysis is completed and disclosed. The fast-entry rule has been effective since May 1, 2026, but its most significant application — the inclusion of SpaceX — has not yet occurred. There is still time to ensure that the interests of the millions of Americans whose retirement, higher education, and health savings are invested in Nasdaq-100 tracking funds have been adequately considered.

We recognize that Nasdaq has a legitimate interest in maintaining a relevant and representative index. We also recognize that the growth of passive investing has created new challenges for index construction. But when a rule change is enacted on a shortened timeline, eliminates protections that have existed for decades, and triggers billions in forced purchases by passive investors, the burden falls on Nasdaq to demonstrate that the benefits to investors outweigh the costs.

We have not seen that demonstration. We are asking for it now.

We are available to discuss these concerns at your convenience.

Respectfully submitted,



Brooke Lierman
Maryland State Comptroller



Elizabeth Steiner
Oregon State Treasurer



Michael Frerichs
Illinois State Treasurer