YGGDRASIL FINANCIAL TECHNOLOGIES, INC.

By Electronic Submission

April 2, 2026

Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Prediction Markets; Advance Notice of Proposed Rulemaking
(RIN 3038–AF65)

Dear Mr. Kirkpatrick:

Yggdrasil Financial Technologies, Inc. ("Yggdrasil") respectfully submits this comment in response to the Commission's Advance Notice of Proposed Rulemaking regarding prediction markets.[1] Yggdrasil is a financial technology company developing benchmark indices for GPU compute capacity pricing. Our patent-pending methodology normalizes pricing data across 56 GPU accelerator models from 28 cloud infrastructure providers, producing the Yggdrasil Compute Unit ("YCU") — a standardized, hardware-agnostic measure of compute capacity designed for use in financial benchmarking, index licensing, and derivative contract settlement.

We write to address an issue that the ANPRM raises but does not fully explore: the integrity of external benchmarks used to settle event contracts listed on CFTC-registered exchanges. Our comments focus on a subset of the questions posed by the Commission, specifically those relating to manipulation susceptibility, cash-settlement integrity, price discovery, and public interest — as applied to event contracts that reference external price indices for settlement.

[1] Prediction Markets, 91 Fed. Reg. 12516 (March 16, 2026) (Advance Notice of Proposed Rulemaking).

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I. THE DISTINCTION BETWEEN OUTCOME-CONTINGENT AND INDEX-REFERENCED EVENT CONTRACTS

The ANPRM seeks comment on event contracts broadly, encompassing a wide range of instruments traded on designated contract markets ("DCMs") and swap execution facilities ("SEFs"). We respectfully submit that the Commission's analysis would benefit from distinguishing between two structurally different categories of event contracts, each of which presents distinct regulatory considerations — and, critically, distinct relationships to the Commodity Exchange Act's ("CEA") enumerated public interest purposes.

CEA section 3(a) identifies three core public interests that the Act is designed to serve: (1) providing a means for managing and assuming price risks; (2) discovering prices; and (3) disseminating pricing information through trading in liquid, fair, and financially secure facilities.[2] These purposes are the foundation of the Commission's jurisdiction and the standard against which the public interest value of any derivative instrument should be assessed.

A. Outcome-Contingent Event Contracts

The first category — which we refer to as "outcome-contingent event contracts" — comprises instruments whose settlement is determined by the occurrence or non-occurrence of a discrete, observable event. These include contracts on election outcomes, sporting events, weather occurrences, and other binary or discrete outcomes. In these contracts, the contract price is discovered through the interaction of market participants' bids and offers, much as equity securities are priced. The settlement reference is the event itself: it either occurred or it did not.

Outcome-contingent event contracts serve a genuine public function as information aggregation mechanisms. Prediction markets have demonstrated value in forecasting event probabilities — often outperforming polling, expert opinion, and statistical models. The price of an outcome-contingent contract reflects the market's aggregated belief about the likelihood of an event, and this information can be useful for research, planning, risk awareness, and public discourse.

However, outcome-contingent event contracts do not, in general, serve the CEA's enumerated public interest purposes. A contract on an election outcome or a sporting event does not provide a means for managing commodity price risk. It does not discover a commodity

[2] 7 U.S.C. § 5(a).

price. It does not disseminate pricing information about goods, services, or productive inputs. It discovers and disseminates a *probability estimate* — a valuable form of information, but not the type of price discovery that the CEA's framework is designed to govern.

We do not suggest that outcome-contingent event contracts lack public value. Beyond their informational function, these contracts can provide unique hedging opportunities for businesses exposed to discrete event risk. A logistics company dependent on the continued operation of the Strait of Hormuz, a manufacturer exposed to a specific regulatory outcome, or an agricultural exporter vulnerable to a trade policy decision may each find that a binary contract on the occurrence of that event provides a meaningful hedge against an identifiable, discrete risk. This is a legitimate form of risk management — but it is categorically different from the commodity price hedging contemplated by CEA section 3(a), and it requires a different compliance framework. Event risk hedging does not depend on benchmark governance, because the settlement reference is an observable event rather than an administered index. It does not require proportional payoff, because the risk itself is binary. And it does not require the same clearing infrastructure, because counterparty exposure is bounded by the contract's fixed payout.

We suggest, therefore, that the value of outcome-contingent event contracts is primarily informational and event-risk-related rather than financial in the sense contemplated by CEA section 3(a), and that the Commission's regulatory framework should reflect this distinction. For these contracts, the primary regulatory concerns the Commission has identified — manipulation of the underlying event, insider information advantages, and the gaming/public interest boundary — are appropriate areas of focus, and a compliance framework tailored to the specific characteristics of event-based contracts is warranted. Market surveillance at the exchange level is the primary safeguard, as the "benchmark" is the real-world event outcome, which is generally observable and verifiable.

B. Index-Referenced Event Contracts

The second category — which we refer to as "index-referenced event contracts" — comprises instruments whose settlement value is determined by reference to an external price index or benchmark produced by a third-party administrator. These include contracts that settle on commodity prices, financial indices, economic indicators, or other quantitative measures published by entities outside the exchange.

Index-referenced event contracts *can* serve the CEA's enumerated purposes — price risk management, price discovery, and pricing information dissemination — but only when two

conditions are met: the settlement benchmark is trustworthy, and the contract's payoff structure enables effective risk transfer.

On the first condition, the settlement value of an index-referenced contract is not determined by the market, nor by the occurrence of a discrete event. It is declared by an external index administrator based on a methodology that the exchange, the Commission, and market participants must trust but may have limited ability to verify or audit. If the benchmark methodology is opaque, unauditable, or administered by an entity with undisclosed conflicts of interest, the contract cannot reliably serve as a hedging instrument — because the participant cannot trust the settlement value. It cannot serve as a price discovery mechanism — because the "discovered" price is an unverifiable number produced by an unaccountable entity. And it cannot disseminate reliable pricing information — because the information disseminated may not accurately reflect market conditions. In the absence of benchmark governance, an index-referenced event contract does not serve the CEA's purposes. It is a wager against an opaque number.

On the second condition, the binary payoff structure common to event contracts listed on prediction market platforms — settling at a fixed value if a price threshold is breached, and zero otherwise — is poorly suited to the hedging function the CEA contemplates. Effective hedging of commodity price risk requires a payout that is proportional to the adverse price movement the hedger seeks to offset. A binary event contract pays a fixed amount regardless of the magnitude of the price change, providing no protection against price movements that fall short of the threshold and inadequate protection against movements that far exceed it. A commodity trading desk, asset manager, or corporate treasury cannot responsibly hedge ongoing commodity price exposure using binary settlement instruments. Even for event risk hedging, binary payoff structures are a blunt instrument — a Strait of Hormuz closure lasting one week has a materially different business impact than one lasting three months, yet a binary contract pays the same fixed amount in both cases. The binary structure is workable for purely discrete events but becomes increasingly inadequate as the severity or duration of the event varies.

For index-referenced commodity contracts, proportional instruments — futures, swaps, and vanilla options — are the standard tools of risk management, and they depend on two things: settlement benchmarks of the highest integrity, and exchange infrastructure capable of supporting institutional participation. Traditional exchange DCMs that operate in conjunction with registered derivatives clearing organizations ("DCOs") — providing central counterparty clearing, margin requirements, default management, position limits, and large trader reporting — offer this infrastructure. Prediction market platforms, which are designed for binary outcome contracts and generally operate without separate DCO

registration, clearing member oversight, margin systems, or market-maker obligations, do not. The Commission should consider whether index-referenced event contracts settling on commodity price benchmarks are appropriately listed on platforms that lack the clearing and surveillance infrastructure that commodity derivatives markets require.

C. The Regulatory Gap

Prediction market platforms currently list both categories of contracts under the same regulatory framework, with no specific requirements governing the quality or governance of settlement benchmarks for index-referenced contracts. This means that contracts capable of serving the CEA's core purposes are listed alongside contracts that do not — with identical regulatory treatment and no differentiation in the Commission's oversight expectations.

Furthermore, the absence of benchmark governance standards for index-referenced event contracts does not merely create manipulation risk. It actively prevents the development of the legitimate hedging and price discovery markets that these instruments could otherwise enable. Institutional participants — commodity trading desks, corporate treasuries, asset managers — cannot adopt hedging instruments that settle against benchmarks they cannot audit or verify. The result is a market structure that offers the *form* of commodity derivatives without the *substance* that makes them useful.

We respectfully submit that the Commission should consider whether its regulatory framework for event contracts should distinguish between these categories, and whether index-referenced event contracts should be subject to benchmark governance requirements that ensure the CEA's public interest purposes are actually served — not merely invoked.

II. RESPONSES TO SPECIFIC QUESTIONS

Question 2.c — Core Principle 3: Manipulation Susceptibility

> *The Commission asks: "How should a determination of whether an event contract is 'readily susceptible to manipulation' be made? What factors should be considered? Are there particular aspects of event contracts that make this determination different from the determination with respect to other listed contracts?"*

For index-referenced event contracts, we respectfully submit that the manipulation susceptibility analysis must extend beyond exchange-level trading activity to encompass the settlement benchmark itself. A contract may have robust exchange surveillance and still be readily susceptible to manipulation if the settlement index can be influenced by a small number of data submitters, lacks a transparent and auditable methodology, or is administered without independent governance.

The Commission should consider the following factors when evaluating the manipulation susceptibility of index-referenced event contracts:

Data source concentration.

An index derived from a small number of data sources is inherently more susceptible to manipulation than one aggregating data across a broad and diverse set of contributors. In emerging commodity markets such as GPU compute capacity, where a small number of cloud infrastructure providers set published rental prices, a settlement index referencing a single asset class from a handful of providers presents concentrated manipulation risk. A single provider adjusting its published pricing could materially alter the settlement value.

Methodology transparency.

Market participants must be able to understand how a settlement value is calculated in order to assess whether the benchmark accurately reflects market conditions. An index with an opaque or undisclosed calculation methodology cannot be independently verified by market participants, the exchange, or the Commission.

Governance independence.

Where the benchmark administrator has commercial relationships with data submitters or market participants in the settled contracts, conflicts of interest may compromise benchmark integrity. Independent oversight mechanisms — such as oversight committees with authority over methodology changes — are essential safeguards.

International standards compliance.

The International Organization of Securities Commissions ("IOSCO") published the Principles for Financial Benchmarks in 2013,[3] establishing 19 principles governing benchmark governance, quality, and accountability. These Principles were developed in direct response to the manipulation of the London Interbank Offered Rate ("LIBOR"), where the absence of governance standards enabled systematic benchmark rigging in a market that settled hundreds of trillions of dollars in derivatives.[4] The Commission should consider whether a settlement benchmark's compliance with the IOSCO Principles — or a comparable governance framework — is a relevant factor in determining manipulation susceptibility under Core Principle 3.

Question 2.d — Core Principle 4: Prevention of Manipulation, Price Distortion, and Settlement Disruption

> *The Commission asks: "Do any aspects of prediction markets pose challenges to compliance with this Core Principle…? Are there market surveillance, compliance, or enforcement practices on which the Commission should focus?"*

For index-referenced event contracts, Core Principle 4 presents a structural challenge: the DCM's surveillance authority covers trading activity on its own platform, but the cash-settlement reference is produced by an entity outside the exchange's jurisdiction. The DCM can monitor for wash trading, spoofing, and disruptive trading practices among its participants. It cannot, however, monitor or audit the benchmark calculation process, the integrity of data submissions to the index administrator, or the administrator's adherence to its published methodology.

[3] International Organization of Securities Commissions, *Principles for Financial Benchmarks: Final Report*, FR07/13 (July 2013), available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf.

[4] *See, e.g.*, Final Notice to Barclays Bank Plc, Financial Conduct Authority (June 27, 2012) (documenting LIBOR manipulation); U.S. Department of Justice, *Barclays Bank PLC Admits Misconduct Related to Submissions for the London Interbank Offered Rate and the Euro Interbank Offered Rate and Agrees to Pay $160 Million Penalty* (June 27, 2012).

This creates a gap in the settlement assurance chain. The DCM fulfills its Core Principle 4 obligations with respect to trading activity, but the most critical input to the cash-settlement process — the benchmark value itself — falls outside its surveillance perimeter.

We respectfully suggest that the Commission consider whether DCMs listing index-referenced event contracts should be required to:

1. Verify that the settlement benchmark is administered under a published, auditable methodology;
2. Confirm that the benchmark administrator maintains an independent oversight function, a conflicts of interest policy, and a complaints handling procedure;
3. Assess whether the benchmark meets the governance standards set forth in the IOSCO Principles for Financial Benchmarks or a comparable framework; and
4. Establish contractual arrangements with the benchmark administrator providing for audit rights or periodic independent review of the benchmark's calculation integrity.

These requirements would not impose undue burden on DCMs. Benchmark administrators serving the institutional derivatives market already comply with these standards voluntarily. Codifying them as a factor in Core Principle 4 compliance would create a clear, internationally recognized baseline.

Question 5.a — Swap Data Reporting, Pricing Data, and Price Discovery

> *The Commission asks what factors it should consider regarding swap data reporting, public pricing data availability, and standardization "in order, for example, to facilitate Commission analysis and to detect potential cross-market activity from a risk or manipulation perspective."*

For index-referenced event contracts, the transparency of the settlement benchmark's methodology is as important to detecting manipulation as the transparency of trading data. If the Commission can observe every trade on a DCM but cannot independently verify how the settlement value was calculated — or whether it was calculated consistently with the published methodology — its ability to detect benchmark manipulation is limited.

We respectfully suggest that the Commission consider whether benchmark administrators whose indices are used to settle event contracts on DCMs or SEFs should be required to:

1. Publish their calculation methodology in sufficient detail that it can be independently replicated;

2. Maintain and make available to the Commission, upon request, a complete audit trail of data inputs, calculation steps, and published values; and
3. Disclose any material changes to methodology, data sources, or governance with reasonable advance notice to market participants and the Commission.

These requirements align with IOSCO Principles 9 (Transparency of Benchmark Determinations), 11 (Content of the Methodology), and 13 (Transition), and would enhance the Commission's ability to monitor settlement integrity across index-referenced event contracts.

Question 10 — Price Risk Management, Hedging, and Price Discovery

> *The Commission asks: "What role do event contracts play in 'managing and assuming price risks, discovering prices, and disseminating pricing information' as contemplated by CEA section 3(a)? How are event contracts used in hedging, which is one aspect of managing price risks?"*

We note that index-referenced event contracts settling on commodity prices can, in principle, serve the CEA's core public interest purposes — price risk management, price discovery, and pricing information dissemination — in ways that outcome-contingent contracts on discrete events generally do not. However, whether they do so in practice depends on two factors that the Commission should evaluate: the quality of the settlement benchmark and the suitability of the contract's payoff structure.

The hedging need is real and significant.

GPU compute capacity represents a market in which participants collectively spend in excess of $500 billion annually,[5] yet no standardized mechanism exists for managing the price risk inherent in that expenditure. Artificial intelligence laboratories, cloud infrastructure providers, and enterprise technology departments are exposed to significant and unpredictable fluctuations in GPU rental pricing. Properly structured derivatives referencing a transparent, well-governed compute price index would enable these participants to hedge their exposure — fulfilling the same economic function that crude oil futures serve for refiners and airlines, electricity futures serve for utilities and industrial consumers, or the Baltic Dry Index serves for shipping and commodity logistics.

[5] *See, e.g.*, Synergy Research Group, *Quarterly Cloud Infrastructure Spending Exceeds $100 Billion for First Time* (Q4 2024 report) (cloud infrastructure services alone); McKinsey & Company, *The Economic Potential of Generative AI* (June 2023); International Energy Agency, *Electricity 2025* (Jan. 2025) (estimating total data center and AI infrastructure capital expenditure trajectories).

Current prediction market instruments do not adequately serve this function.

Binary event contracts — which settle at a fixed value if a price threshold is breached, and zero otherwise — do not provide the proportional risk transfer that effective hedging requires. A participant seeking to hedge ongoing GPU compute expenditure needs a payout that tracks the magnitude of the adverse price movement, not a fixed payout triggered at an arbitrary threshold. Binary settlement is a probability bet on a price level, not a hedge against price exposure. The instruments that serve the CEA's hedging purpose — futures, swaps, and vanilla options with proportional settlement — require settlement benchmarks of correspondingly high integrity, because the settlement value directly determines the payout.

Outcome-contingent contracts can serve a distinct hedging function.

We note that our critique of binary payoff structures applies specifically to commodity price hedging — where the risk is continuous and proportional instruments are required. Outcome-contingent event contracts can, however, serve a legitimate risk management function for discrete event risk. A logistics company exposed to a Strait of Hormuz closure, or a manufacturer dependent on a specific regulatory outcome, may find that a binary contract on the occurrence of that event provides a useful hedge against a discrete, identifiable risk. This is a genuine form of risk management, but it is categorically different from the commodity price hedging contemplated by CEA section 3(a). Event risk hedging does not require benchmark governance, because the settlement reference is an observable event rather than an administered index. It does not require proportional payoff, because the risk itself is binary. And it does not require the same clearing infrastructure, because the counterparty exposure is bounded by the contract's fixed payout. The Commission should recognize that these two hedging functions — event risk management and commodity price risk management — require different compliance frameworks, different settlement assurance mechanisms, and potentially different platform structures.

Benchmark governance is a prerequisite.

Even where the contract structure is suitable for hedging, the instrument cannot serve its risk management purpose if the settlement benchmark is opaque, unauditable, or administered without independent governance. A commodity trading desk cannot responsibly recommend that its clients hedge against a benchmark whose methodology is undisclosed and whose administrator's conflicts of interest are unmanaged. The absence of benchmark governance standards thus impairs the CEA's hedging and price discovery functions not only by creating manipulation risk, but by preventing institutional adoption of the instruments entirely.

The Commission should consider, in its public interest determination under CEA section 5c(c)(5)(C), whether an event contract serves a genuine hedging or price risk management function — evaluating both the contract's payoff structure and the governance of the settlement benchmark. Where the underlying commodity has significant commercial participants with demonstrable price risk, where the contract structure enables proportional risk transfer, and where the settlement benchmark meets appropriate governance standards, such contracts advance the public interests enumerated in CEA section 3(a) and should be distinguished from contracts that are primarily speculative or entertainment-oriented.

The platform structure matters.

The Commission should also consider whether the platform through which an index-referenced event contract is listed affects its capacity to serve the CEA's hedging and price discovery purposes. A prediction market DCM listing a binary event contract that references a commodity price index is not functionally equivalent to a traditional exchange DCM listing a futures or options contract on that same index — even though both are technically CFTC-registered designated contract markets.

The distinction is structural. Traditional exchange DCMs operate or partner with derivatives clearing organizations ("DCOs") that provide central counterparty clearing, margin requirements, and default management — the infrastructure that enables institutional participation and effective risk transfer. Prediction market platforms, by contrast, are designed for binary outcome contracts with fixed payoffs and generally lack the clearing architecture, position limit frameworks, and market-maker obligations that commodity derivatives markets require. Listing an index-referenced contract on a prediction market platform may satisfy the letter of DCM registration, but it does not provide the market structure necessary for the instrument to function as a hedging tool.

If the Commission determines that index-referenced event contracts should be subject to benchmark governance requirements, it should also consider whether such contracts should be listed on DCMs whose clearing and surveillance infrastructure is commensurate with the risk management function the contracts are intended to serve — or, alternatively, whether prediction market DCMs listing such contracts should be required to meet the same operational standards as exchanges that list commodity futures and options. A framework that permits outcome-contingent event contracts to be listed on prediction market platforms under standards appropriate to their function, while requiring index-referenced commodity contracts to be listed on platforms with institutional-grade clearing

and governance, would better serve the distinct purposes each category is designed to fulfill.

Question 30 — Events Under the Control of a Single Individual or Small Group; Cross-Market Manipulation

> *The Commission asks about the regulatory implications of event contracts where the underlying event is "under the control of a single individual or small group of individuals" and about "challenges related to cross-market manipulation."*

We urge the Commission to give this question particular weight as it considers the expansion of event contracts into commodity price markets. The LIBOR scandal demonstrated that when the entities submitting data to a benchmark are also the largest traders of derivatives settling on that benchmark, the incentive to manipulate is structural, not incidental — and the consequences are systemic.[6] The international regulatory response, culminating in the IOSCO Principles for Financial Benchmarks, was designed specifically to prevent that structural conflict from recurring. The Commission should ensure that the same conflict is not permitted to emerge in new commodity derivative markets through regulatory inattention.

The structural conflict in emerging commodity benchmarks.

In the GPU compute pricing market, event contracts and futures referencing compute price indices are already being listed on CFTC-registered exchanges. The settlement benchmarks for these contracts are produced by index providers that are, in several cases, capitalized by the same proprietary trading firms and market makers that will be among the most active traders of the derivatives settling on those indices. When the firms funding the construction of a benchmark are also the firms trading the instruments that settle against it, the LIBOR dynamic is reproduced in miniature — regardless of the good intentions of any individual participant.

The Commission need not speculate about this risk. It is an observable feature of the current market structure. In the emerging GPU compute index market, significant commercial relationships exist between benchmark administrators and the derivative market participants most likely to trade instruments settling on those benchmarks — including

[6] *See supra* note 4; *see also* Wheatley Review, *The Wheatley Review of LIBOR: Final Report* (Sept. 2012) (commissioned by HM Treasury, recommending statutory regulation of benchmark administration).

equity investments, data licensing agreements, and advisory arrangements.[7] Where the firms funding the development of a benchmark are also the firms most likely to trade the derivatives settling on it, the structural preconditions for the conflicts of interest that the IOSCO Principles were designed to address are present. Without governance safeguards, the commercial entanglement between benchmark administrators and their most sophisticated market participants creates incentive structures that exchange-level surveillance alone cannot monitor or mitigate.

The inadequacy of exchange-level surveillance alone.

A DCM can surveil trading activity on its own platform. It cannot surveil the relationship between an index provider and its investors, the methodology decisions that determine settlement values, or the data submission process through which providers contribute pricing information. If a benchmark administrator adjusts its methodology, weighting, or data source selection in a manner that benefits its equity investors' trading positions, that adjustment would be invisible to the exchange's surveillance systems. Only IOSCO-grade governance — with independent oversight committees, conflicts of interest policies, methodology change controls, and audit trails — addresses this category of risk.

The LIBOR lesson must not be repeated.

The cost of the LIBOR scandal was not merely financial — it was a crisis of institutional trust in the integrity of financial benchmarks worldwide. The IOSCO Principles exist precisely to prevent the recurrence of that crisis. As new commodity markets develop and new benchmarks are created to serve them, the Commission has an opportunity to establish governance expectations before a failure occurs, rather than after. We respectfully submit that this opportunity should not be deferred.

Specific safeguards.

The IOSCO Principles provide the framework. Applied to index-referenced event contracts, the most critical requirements are:

- Multi-source data aggregation sufficient to prevent any single submitter or small group from materially influencing the benchmark value (Principle 7: Data Sufficiency);
- Mandatory disclosure and management of conflicts of interest, including relationships between the administrator, its investors, and the derivative market participants trading the settled instruments (Principle 3: Conflicts of Interest);

[7] *See, e.g.*, publicly announced seed funding rounds for GPU compute index and data providers in 2025–2026, in which proprietary trading firms and market makers participated as lead or co-lead investors. These investments, and the commercial relationships they establish between benchmark administrators and derivative market participants, are matters of public record.

- An independent oversight function with authority over methodology design, data quality, and complaint handling — not controlled by the administrator's equity investors or commercial partners (Principle 2: Oversight of the Administrator);
- Submitter codes of conduct and anomaly monitoring for data inputs (Principle 15: Submitter Code of Conduct); and
- A complete, auditable record of all data inputs, calculation steps, and published values, available to the Commission upon request (Principle 17: Audit Trail).

Prediction markets are not currently structured for institutional hedging.

The Commission should also consider that the opacity of current compute price indices renders them unsuitable as institutional hedging instruments. A commodity trading desk, asset manager, or corporate treasury cannot responsibly hedge GPU compute exposure against a benchmark whose methodology is not publicly auditable, whose governance structure is undisclosed, and whose administrator's conflicts of interest are unmanaged. The absence of IOSCO-grade benchmark governance does not merely create manipulation risk — it prevents the development of the legitimate hedging market that these instruments could otherwise serve. This represents a direct impairment of the price risk management and price discovery functions the CEA is designed to promote.[8]

A normalized, cross-asset compute capacity index — aggregating pricing data across dozens of hardware configurations and dozens of providers — is structurally more resistant to single-submitter manipulation than a single-asset price index tracking the rental cost of one GPU model from a small number of sources. The Commission should consider whether the degree of cross-asset normalization, data source diversification, and governance independence in a settlement benchmark are relevant factors in its manipulation susceptibility assessment under Core Principle 3 and its cross-market manipulation analysis under this question.

Question 38 — Cost-Benefit Considerations

> *The Commission asks how the five considerations in CEA section 15(a)(2) — (A) protection of market participants and the public; (B) efficiency, competitiveness, and financial integrity of futures markets; (C) price discovery; (D) sound risk management practices; and (E) other public interest considerations — are relevant to prediction markets regulation.*

[8] *See* CEA section 3(a), 7 U.S.C. § 5(a) (transactions subject to the CEA are "affected with a national public interest by providing a means for managing and assuming price risks, discovering prices, or disseminating pricing information").

We respectfully submit that requiring or recommending IOSCO Principles compliance for benchmarks used to settle index-referenced event contracts would advance each of these considerations:

(A) Protection of market participants and the public.

Market participants trading index-referenced contracts rely on the integrity of the settlement benchmark. Requiring that benchmark administrators maintain transparent methodologies, independent oversight, and audit trails protects participants from settling against unreliable or manipulable values.

(B) Efficiency, competitiveness, and financial integrity.

Clear benchmark governance standards create a level playing field for index providers and reduce uncertainty for exchanges evaluating settlement references. This promotes competition among benchmark administrators on the basis of methodology quality rather than opacity.

(C) Price discovery.

Transparent, auditable benchmarks enhance price discovery by ensuring that settlement values accurately reflect underlying market conditions, rather than the discretion or conflicts of an individual administrator.

(D) Sound risk management practices.

Participants using index-referenced event contracts to hedge commodity price risk can do so effectively only if the settlement benchmark reliably tracks the underlying market. IOSCO-compliant governance provides assurance that the benchmark will continue to be calculated consistently and will not be unilaterally altered without notice.

(E) Other public interest considerations.

The cost of IOSCO compliance for benchmark administrators is modest relative to the systemic benefits. Serious administrators serving the institutional derivatives market — including CF Benchmarks (now powering crypto event contract settlement on CFTC-regulated DCMs), S&P Dow Jones Indices, ICE Benchmark Administration, and others — already comply voluntarily. Codifying this standard for settlement-referenced benchmarks would impose no incremental burden on compliant administrators while establishing a minimum quality threshold that protects market integrity.

III. RECOMMENDATION

Yggdrasil respectfully recommends that the Commission, in any future rulemaking or guidance arising from this ANPRM, consider the following:

1. **Distinguish between outcome-contingent and index-referenced event contracts** in its regulatory analysis, recognizing that each category presents distinct manipulation risks, surveillance challenges, public interest considerations, and infrastructure requirements. Outcome-contingent contracts serve a legitimate event risk hedging function and may be appropriately listed on prediction market platforms under a compliance framework tailored to their characteristics. Index-referenced contracts settling on commodity price benchmarks serve a fundamentally different function — commodity price risk management — and should be listed only on DCMs that operate in conjunction with registered DCOs providing central counterparty clearing, margin requirements, position limits, large trader reporting, and clearing member oversight, or on prediction market DCMs that voluntarily meet equivalent operational standards.
2. **Require or recommend that DCMs listing index-referenced event contracts evaluate whether the settlement benchmark meets the IOSCO Principles for Financial Benchmarks** (or a comparable governance framework) as part of their Core Principle 3 (manipulation susceptibility) and Core Principle 4 (settlement integrity) compliance.
3. **Require that benchmark administrators whose indices are used to settle event contracts on CFTC-registered entities publish their methodology, maintain audit trails, and disclose material changes** with reasonable advance notice — consistent with IOSCO Principles 9, 11, and 13.
4. **Consider the hedging utility and price discovery function of index-referenced event contracts** in its public interest determination under CEA section 5c(c)(5)(C), recognizing that contracts settling on well-governed commodity price benchmarks serve the public interests enumerated in CEA section 3(a).

IV. CONCLUSION

The Commission's ANPRM arrives at a moment of significant expansion in both the volume and diversity of event contracts listed on CFTC-registered exchanges. Among the new categories of event contracts are those referencing commodity price indices in emerging markets, including GPU compute capacity — a market that now exceeds $500 billion in annual expenditure and is characterized by significant price volatility and opacity.

The existing IOSCO Principles for Financial Benchmarks, developed in the wake of the LIBOR scandal and now adopted by benchmark administrators worldwide, provide a proven, internationally recognized framework for ensuring benchmark integrity. Extending the Commission's regulatory expectations to encompass the governance of settlement benchmarks — not merely the trading activity on DCMs — would strengthen market integrity, protect participants, and support the development of well-functioning derivatives markets in emerging commodity classes.

We appreciate the opportunity to submit this comment and welcome any further dialogue with the Commission or its staff on these issues.

Respectfully submitted,

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