PUBLIC COMMENT ON ADVANCE NOTICE OF PROPOSED RULEMAKING:

PREDICTION MARKETS

RIN: 3038-AF65

Federal Register: 91 FR 12516 (March 16, 2026)

Federal Register Document No.: 2026-05105

Submitted by: *First Strike Research*

Date: April 10, 2026

Executive Summary

This comment raises five issues the Commission has not addressed in the ANPRM and that, to the undersigned's knowledge, no other commenter has raised in this docket. Each is accompanied by a specific proposed remedy. Each is grounded in documented market integrity failures from 2025 and 2026.

1. Establish A Prediction Market-Specific Self-Regulatory Organization.

2. Prohibit Dual Branding Between Registered and Unregistered Platforms.

3. MandatoryAlgorithmic Trading Disclosure.

4. Enforce Uniform API and Public Data Standards.

5. Case Studies Demonstrating Practical Impact.

1.) The NFA's membership includes traditional DCMs that compete commercially with prediction market platforms, replicating the conflict-of-interest structure Congress eliminated when it created the MSRB in 1975. The Commission's own Series 3 examination contains no content on event contracts despite the asset class reaching $64 billion in notional volume in 2025. The Commission should charter an independent PM-SRO and direct development of a dedicated competency examination.

2.) At least one major operator runs a CFTC-registered entity and an unregulated offshore platform under the same core brand name. In the Khamenei market (February–March 2026), identical contracts were resolved differently across these platforms. Granted, one platform was outside the regulation of the CFTC. The Commission should require materially distinct branding and mandatory point-of-sale disclosure. This has led to particular public confusion as it relates to CFTC-Enforcement of contracts 'swaps' or other prediction instruments which are related to war, terrorism, and other acts against the public interest.

3.) Prediction markets derive their policy value from the assumption that prices reflect distributed human judgment. Undisclosed algorithmic volume undermines that assumption. The Commission should require registration of automated trading systems and monthly publication of aggregate automated-volume statistics, modeled on the Commission's previously proposed Regulation AT.

4.) Prediction market prices are now cited by journalists, news-anchors, policymakers, and foreign governments. No two registered platforms publish data in a standardized format, preventing the cross-platform surveillance the Commission's own Division of Market Oversight would need to detect manipulation at scale. The Commission should require a standardized public API, five-year historical archives, and daily automated surveillance reporting, analogous to the Consolidated Audit Trail.

5.) The Khamenei market ($54M volume, divergent resolution), the MrBeast editor insider trading case (platform-level resolution, no Commission referral), and the Langford election market manipulation (outcome-influence conduct with no applicable prohibition) each illustrate specific regulatory gaps these frameworks would close.

Prefatory Statement

The undersigned submits this comment in response to the Commodity Futures Trading Commission's ("Commission" or "CFTC") Advance Notice of Proposed Rulemaking ("ANPRM") on Prediction Markets, published March 16, 2026 in the Federal Register (91 FR 12516). This comment addresses five discrete but interrelated policy recommendations: (1) the establishment of a prediction market-specific Self-Regulatory Organization ("PM-SRO"); (2) the prohibition of dual branding between CFTC-registered and unregistered offshore prediction market platforms; (3) mandatory disclosure requirements for algorithmic and automated trading participants; (4) standardized public data reporting and API infrastructure; and (5) a demonstration of how these frameworks would have prevented or mitigated several documented market integrity failures from 2025 and 2026.

I. Establishment of a Prediction Market-Specific Self-Regulatory Organization

A. Existing SRO Framework can not Adequately Monitor Event Contracts

The Commission currently oversees Designated Contract Markets ("DCMs") through direct regulation under Section 5 of the Commodity Exchange Act ("CEA") and the twenty-three DCM Core Principles codified at 7 U.S.C. § 7. Unlike the equity market structure, where the SEC delegates front-line oversight of broker-dealers to FINRA as an interposed SR. DCMs self-certify

rule changes and self-monitor core principle compliance with direct accountability to the Commission, with no analogous SRO intermediary between the exchange and the regulator.

The National Futures Association ("NFA"), while a CFTC-registered SRO, technically exercises jurisdiction exclusively over intermediaries — Futures Commission Merchants ("FCMs"), Commodity Trading Advisors ("CTAs"), Commodity Pool Operators ("CPOs"), and swap dealers — NFA has no direct membership authority, audit power, or enforcement jurisdiction over DCMs as operating exchanges. This structure has functioned adequately for traditional commodity and financial futures markets. It is the wrong structure for prediction markets and event contracts. The Commission should authorize and facilitate the establishment of a dedicated Self-Regulatory Organization for prediction markets ("PM-SRO"), wholly independent from the NFA and existing DCMs.

With respect to precedence, Congress has chartered new SROs precisely when emerging asset classes demanded purpose-built oversight when existing regulatory bodies lacked the domain expertise or structural independence to provide. The Municipal Securities Rulemaking Board ("MSRB") was established by Congress through the Securities Acts Amendments of 1975 because municipal securities — with their unique tax treatment, governmental issuer structure, and political dimensions — required an oversight body built for those specific attributes rather than a wholesale importation of the existing broker-dealer regulatory architecture. Just as broker-dealers could not credibly self-regulate their relationships with municipal issuers — the counterparties on whom their revenues depended. NFA member intermediaries cannot credibly govern prediction market platforms whose growth directly competes with the traditional futures markets those intermediaries serve. FINRA was similarly formed in 2007 from the merger of NYSE Member Regulation and the National Association of Securities Dealers ("NASD") in part to eliminate the conflict of interest

inherent in having market participants co-govern their competitors within a single SRO structure.

Both precedents apply here directly. Event contracts are fundamentally distinct from commodity futures in their underlying subject matter, resolution mechanics, participant demographics, information asymmetry profiles, and susceptibility to outcome manipulation. Placing their oversight within the NFA — an organization whose membership is dominated by intermediaries affiliated with traditional commodity markets, including FCMs, CPOs, and CTAs whose commercial interests are tied to incumbent DCMs that compete with prediction market platforms — recreates the exact conflict-of-interest structure Congress sought to eliminate when it created the MSRB. The prediction market space warrants, and the integrity of the Commission's regulatory mission demands, a purpose-built SRO with independence, expertise, and authority commensurate with the asset class it governs.

It bears emphasis that the undersigned is not proposing to replace a functioning oversight body. Because, no such body currently exists in any meaningful form. The NFA has no jurisdiction over DCMs. The Commission oversees prediction market exchanges directly and alone — without an SRO buffer, without a dedicated examination standard, and without a specialized enforcement function all while the asset class has grown from fewer than five event contracts listed per year between 2006 and 2020 to over 1,600 newly listed contracts in 2025 alone, with notional trading volume approaching $64 billion. Every other major regulated asset class in the United States operates with at least one SRO layer between the exchange and the federal regulator. Prediction markets, alone among regulated markets, have none. The PM-SRO proposal does not reform an existing structure; it fills a structural void that the current moment makes impossible to ignore.

B. The Series 3 Examination Gap

The Series 3 National Commodity Futures Examination—the Commission's primary professional competency standard for registered commodity professionals—contains no examination content on event contracts, DCM-listed prediction markets, prohibited contract categories, outcome manipulation, or platform-specific compliance requirements. A registered commodity professional can pass the Series 3 today and know nothing testable about supervising, operating, or advising on a prediction market.

The Commission has documented that event contract listings grew from roughly five per year between 2006 and 2020 to over 1,600 in 2025, with notional trading volume approaching $64 billion. An asset class at that scale cannot be supervised by professionals whose only credentialing exam treats it as though it does not exist. The Commission should direct the development of a dedicated competency examination—provisionally designated a "Series PM" or equivalent—covering event contract mechanics, resolution standards, prohibited contract classifications, MNPI frameworks in non-corporate contexts, and prediction market-specific manipulation typologies.

C. Structural Independence Requirements

To prevent the conflicts of interest that have historically plagued financial SROs, the Commission should require that any chartered PM-SRO satisfy the following independence conditions:

> **(1)** No PM-SRO member, officer, director, or regulatory staff employee may simultaneously hold a position—paid, unpaid, advisory, or honorary—at any registered DCM, Futures Commission Merchant ("FCM"), or Swap Dealer.
>
> **(2)** No PM-SRO member, officer, director, or regulatory staff employee may hold an open trading position, directly or through any beneficial ownership arrangement, in any event contract traded on a

CFTC-registered prediction market platform during their term of service.

(3) PM-SRO examination, rulemaking, and enforcement functions must be staffed by personnel with qualifications specific to the event contract domain. These functions must not be subsumed into existing NFA divisions.

(4) The PM-SRO must maintain a dedicated whistleblower intake and case management function, with referral protocols to the Commission's Division of Enforcement modeled on FINRA Rule 8210's investigative authority but adapted to prediction market structures.

These requirements mirror, in relevant part, the independence standards Congress imposed on the MSRB, which is explicitly prohibited from being composed of a majority of regulated entity representatives.

Requested Commission Action for Section I:

(a) Charter an independent PM-SRO with the structural independence conditions enumerated above;

(b) direct the development of a "Series PM" competency examination covering event contract mechanics, resolution standards, prohibited contract classifications, and prediction market-specific manipulation typologies;

(c) ensure PM-SRO enforcement functions include FINRA Rule 8210-equivalent investigative authority and a formal MNPI framework extending beyond corporate insiders.

II. Prohibition on Dual Branding Between CFTC-Registered and Unregistered Offshore Platforms

A. The Consumer Confusion Problem

The ANPRM focuses on domestic market participants and registered platforms, but it should not ignore a concrete and growing threat: the operation of materially identical prediction market services under shared or near-identical brand names by entities with entirely different regulatory statuses. At least one major prediction market operator currently maintains a CFTC-designated entity alongside an offshore, crypto-native, unregulated decentralized platform operating under the same core brand. Appending geographic suffixes such as "US" and "EU" to an otherwise identical name does not communicate to retail participants that these are distinct regulatory environments—one governed by the Commodity Exchange Act, CFTC antifraud authority, clearing requirements, and prohibited contract standards, and the other governed by nothing comparable.

In early 2026, a prediction market contract tied to events involving the Supreme Leader of Iran resolved differently across these platforms: the CFTC-registered domestic platform cancelled its contract under internal compliance review, while the offshore platform let the contract run to resolution and pay out. Retail participants who understood themselves to be trading on a single unified "prediction market" received materially different outcomes depending on which platform their account happened to reside on—a distinction many did not knowingly make when they created their accounts.

B. Legal Authority for a Branding Separation Requirement

The Commission has both the authority and persuasive precedent to require branding separation.

Under Section 6(c) of the Commodity Exchange Act, the Commission's antifraud and antimanipulation authority extends to any conduct that creates

a false or misleading impression of a material fact in connection with a commodity transaction. A shared brand name that causes a retail participant to believe they are operating under equivalent regulatory protection when they are not is precisely such a misleading impression regarding a material fact: the regulatory status applicable to their trade.

The SEC has long required that registered investment advisers and broker-dealers operating under multiple trade names disclose which registration governs a given client relationship. The Commission should adopt an analogous requirement.

The FDIC's regulations at 12 CFR Part 328 provide a structural analogy: federally insured depository institutions cannot use signage, language, or branding that implies FDIC insurance coverage extends to uninsured products or affiliates. The consumer protection logic is the same. Participants on an unregistered offshore platform should not reasonably believe that CFTC protections apply to them because the platform shares a name with a registered entity.

Reves v. Ernst & Young, 494 U.S. 56 (1990), establishes that instruments or entities that functionally resemble regulated structures must be treated as regulated structures for consumer protection purposes. A platform that is functionally identical in user interface, contract type, and brand presentation to a CFTC-registered entity creates a functional resemblance that the Commission cannot permit without undermining its own registration regime.

C. Proposed Remedy

The Commission should adopt rules requiring:

> (1) Any CFTC-registered prediction market DCM must use branding that is materially and visually distinct from any affiliated, commonly owned, or co-branded unregistered offshore entity. A geographic suffix appended to an otherwise identical name does not satisfy this standard.

(2) Any CFTC-registered prediction market DCM that shares ownership or common branding with an unregistered entity must include a mandatory point-of-sale disclosure—displayed in plain English, in a font no smaller than primary interface text, before any trade is confirmed—stating that the registered platform and any affiliated offshore platform are separate legal and regulatory entities, and that CFTC protections do not extend to activity on the unregistered entity.

(3) Cross-platform promotion by a CFTC-registered prediction market DCM of an unregistered affiliate's products, contracts, or services is prohibited.

Requested Commission Action for Section II:

(a) Adopt the three branding separation requirements enumerated above.

(b) Apply these requirements as a condition of continued DCM designation for any prediction market platform sharing ownership or common branding with an unregistered offshore entity.

III. Mandatory Disclosure Requirements for Algorithmic and Automated Trading

A. The Crowd Wisdom Premise Depends on Transparent Participant Identification

The policy rationale for permitting prediction markets to operate as legal event contract exchanges—as stated in the Commission's prior rulemaking history and in academic literature cited in the ANPRM—is that aggregated market prices function as efficient signals of collective probabilistic judgment. That rationale depends on an assumption: that market prices reflect the genuine beliefs and information of a diverse human participant base.

That assumption breaks down when an undisclosed share of trading volume comes from algorithmic systems that do not reflect probabilistic belief but instead run arbitrage strategies, liquidity provision algorithms, or adversarial price manipulation routines. Unlike traditional futures markets, where the Commission's large trader reporting regime and position limits provide structural visibility into concentrated or automated participation, prediction markets currently have no analogous disclosure requirement.

B. Proposed Framework

The Commission should require:

> (1) Any participant deploying an automated trading system—defined as any software that submits, modifies, or cancels orders without contemporaneous human decision-making for each individual order—must register that system with the relevant DCM and, in aggregate reports to the Commission, disclose: (a) the percentage of total platform volume attributable to automated systems; (b) the general strategy category of each registered system (market making, arbitrage, directional, or other); and (c) any system that accounts for more than a defined threshold of open interest in any single contract.
>
> (2) DCMs must publish monthly aggregate statistics on the proportion of trading volume attributable to identified automated systems, without disclosing proprietary strategy parameters, so that the public and Commission can assess whether market prices genuinely reflect distributed human judgment.
>
> (3) This framework should be modeled on the Commission's own previously proposed Regulation AT (RIN 3038-AD52), adapted for event contracts. The adaptation matters because manipulation via automated systems in prediction markets can produce consequences beyond financial losses to individual participants—distorted political polling signals, foreign policy misperceptions, and coordinated information operations among them.

Requested Commission Action for Section III:

> **(a)** Require registration of automated trading systems with the relevant DCM;
>
> **(b)** require DCMs to publish monthly aggregate automated-volume statistics;
>
> **(c)** adapt the Commission's previously proposed Regulation AT framework to the event contract context, with particular attention to the real-world informational consequences of manipulation in prediction markets.

IV. Mandatory Uniform API and Public Data Standards

A. Prediction Markets Are Information Infrastructure

The ANPRM correctly identifies that prediction markets serve a price discovery function. What it does not address is that prediction markets have become public information infrastructure. Their prices are cited by journalists, referenced by policymakers, incorporated into foreign government assessments, and used as inputs for algorithmic decision-making systems. A market that functions as public information infrastructure warrants a data transparency regime that matches that public role.

No two CFTC-registered prediction market platforms currently publish their market data in a standardized format. Contract definitions, resolution criteria, price history, volume data, and open interest are published—to the extent they are published at all—in proprietary formats, at varying levels of granularity, and with inconsistent latency. This fragmentation prevents the systematic cross-platform market surveillance the Commission's own Division of Market Oversight would need to detect coordinated manipulation, front-running, or anomalous pre-event trading at scale.

B. Proposed Standard

The Commission should require CFTC-registered prediction market DCMs to:

1. Publish real-time or near-real-time market data—including last price, bid/ask spread, volume, and open interest—via a standardized, publicly accessible API with a defined schema, analogous to the Commission's swap data reporting rules but adapted for event contract market structure.
2. Maintain a historical data archive of all contract prices, volume, and resolution outcomes, accessible to the public and to registered researchers, for a minimum of five years following contract resolution.
3. Submit daily surveillance reports to the Commission in a standardized machine-readable format, flagging any contract in which:
    a. volume or open interest increased by more than a defined threshold within 48 hours of a resolving event;
    b. price movement exceeded a defined standard deviation from a rolling baseline in the 72 hours preceding resolution; or
    c. a single participant, group, or commodity pool operation of affiliated participants accounted for more than a defined percentage of directional volume.

This framework is analogous to the Consolidated Audit Trail ("CAT") system implemented for equity and options markets under SEC Rule 17a-3 and Rule 613, and to the Commission's own swap data repository reporting requirements. It would give both the Commission and independent researchers the data infrastructure necessary to identify anomalous pre-event trading that the current enforcement record suggests is already occurring but cannot be detected systematically.

Requested Commission Action for Section IV:

> **(a)** Require a standardized, publicly accessible API for real-time market data.
>
> **(b)** require five-year historical data archives.
>
> **(c)** require daily automated surveillance reports flagging anomalous volume, price movement, and concentrated directional trading.

V. How These Frameworks Would Have Applied to Recent Market Integrity Events

The Commission does not need to speculate about practical impact. The public record from 2025 and 2026 contains multiple documented market integrity events on prediction market platforms that occurred in part because the regulatory infrastructure proposed here did not exist.

The Khamenei Market (February–March 2026). A contract tied to the death or removal of a foreign head of state accumulated $54 million in trading volume on a CFTC-registered platform before being cancelled under ambiguous circumstances. A substantially identical contract on an unregistered platform with the same brand name continued to resolution and paid out. Had the dual-branding prohibition proposed in Section II been in effect, participants would have known these were separate regulatory environments with distinct contract standards. Had the uniform API and surveillance reporting requirements proposed in Section IV been in effect, the Commission would have had real-time visibility into volume accumulation on both versions of this contract, enabling earlier intervention. Had a PM-SRO with a prohibited contract classification standard and a substance-over-form test been operational, the contract would likely have been flagged at listing—not after tens of millions in trades had cleared.

The MrBeast Editor Insider Trading Case (February 2026). An individual with access to non-public information about a content creator's activities traded on Kalshi event contracts tied to that creator's output. The case was resolved at the platform level with no formal Commission referral. Had the PM-SRO proposed in Section I been operational—with a dedicated enforcement function, FINRA Rule 8210-equivalent investigative authority, and a formal MNPI framework extended beyond corporate insiders—this matter would have been captured by the SRO's surveillance function and referred for enforcement before platform-level action was taken. Had the uniform API and automated surveillance reporting requirements been in effect, the anomalous trading pattern preceding the resolution event would have triggered a mandatory Commission alert.

The Langford Election Market Manipulation (2025–2026). A candidate for public office publicly announced his own prediction market position and encouraged followers to trade alongside him. This is textbook outcome-influence manipulation. No existing CFTC rule expressly prohibits it. Had a PM-SRO with rule-writing authority specific to event contracts been empowered to define and prohibit outcome-influence manipulation, this conduct would have been actionable from the moment the public statement was made. Had the algorithmic trading disclosure requirements proposed in Section III been in effect, any coordinated automated response to the candidate's social media post would have been visible in the surveillance data.

Requested Commission Action for Section V: The Commission should, in the preamble to any proposed or final rule, address each of the three market integrity events described above and explain how the adopted regulatory framework would prevent their recurrence.

Conclusion

Prediction markets are a rapidly institutionalizing asset class with documented effects on public information quality, national security intelligence, and market integrity. The Commission has a narrow window to establish a regulatory architecture that matches that reality. The frameworks proposed here—a dedicated PM-SRO with structural independence and tailored examination standards, mandatory branding separation between regulated and unregistered platforms, algorithmic trading disclosure requirements, and uniform public data standards—are the minimum conditions for a prediction market regulatory framework that takes both the promise and the documented risks of this asset class seriously.

Very Respectfully,

First Strike Research

Email: outreach@firststrike.trading