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via Electronic Submission — CFTC Comments Portal

https://comments.cftc.gov

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Prediction Markets; Advance Notice of Proposed Rulemaking, 91 Fed. Reg. 12516 (Mar. 16, 2026), RIN 3038-AF65 — Comment of FanLabel Music Markets, LLC on the Music Sector of Prediction Markets

Dear Mr. Kirkpatrick:

FanLabel Music Markets, LLC (hereafter referred to as "FanLabel MusicMarkets," "FanLabel," the "Company," or "we") respectfully submits this comment in response to the Commodity Futures Trading Commission's ("Commission" or "CFTC") Advance Notice of Proposed Rulemaking on Prediction Markets.[1] We appreciate the Commission's open and deliberative approach to developing a rational regulatory framework for event contracts and welcome the opportunity to offer the Commission a music-industry perspective that we believe is both underrepresented in the current record and materially relevant to several of the questions posed.[2]

FanLabel MusicMarkets is a music-centric intelligent layer that sits between the recorded music industry — record labels, recording artists, music publishers, and other rights holders — and CFTC-regulated Designated Contract Markets ("DCMs") that list, or may seek to list, music-related event contracts. We

[1]Prediction Markets, 91 Fed. Reg. 12516 (Mar. 16, 2026) (Advance Notice of Proposed Rulemaking), RIN 3038-AF65.
[2]Id. (framing questions across DCM Core Principles, public interest, the activities enumerated in CEA Section 5c(c)(5)(C), procedural aspects, inside information, and types of event contracts).

operate pursuant to a patented technology estate and longstanding commercial relationships with record labels, artists, publishers, and critical industry vendors — including Luminate, which powers the Billboard charts, and Tuned Global, a leading licensed-music infrastructure provider serving many of the industry's largest rights holders. Through joint-venture, licensing, and similar business arrangements, FanLabel MusicMarkets enables DCMs to responsibly design, curate, and manage music-related CFTC-approved contracts. Our commercial orientation is that of an enabling layer and subject-matter resource for the regulated marketplace, not that of an exchange or a clearing organization.[3]

Our perspective in this comment is intended to be educational and constructive. We do not ask the Commission to treat music-related event contracts as a special category deserving preferential treatment; to the contrary, we believe this sector of prediction markets has distinctive features that argue for careful, metric-by-metric analysis under the Commission's existing Core Principles framework. In this letter we offer five observations that we believe the Commission will find useful as it considers whether and how to act on the ANPRM:

- Music contracts resolved by tangible, third-party metrics such as stream counts and chart rankings form the bedrock of music-related prediction market activity, and as liquidity grows, they create hedging and price-discovery tools for rights holders that previously did not exist.
- Music-adjacent contracts — those resolved by metrics other than stream counts and chart rankings — present a spectrum of cases, with clearly acceptable designs on one end and clearly problematic designs involving manipulation risk or material non-public information ("MNPI") exposure on the other.
- Effective construction, curation, and management of music and music-adjacent event contracts requires thoughtful coordination among DCMs, labels, artists, publishers, rights holders, and the vendors that supply resolution data — a coordination layer that does not occur spontaneously and that shapes whether a given contract is, in the Commission's terms, "readily susceptible to manipulation."
- Resolution-data vendors — principally Luminate for chart rankings, and the digital service providers ("DSPs") such as Spotify, Apple Music, Amazon Music, and YouTube Music for stream counts — are already the economic backbone of recorded-music royalty allocation and have for that reason invested heavily, and continue to invest, in the accuracy, timeliness, and fraud resistance of the same metrics that would resolve music event contracts.
- As awareness of music-related contracts grows and standardization matures, the Company expects a healthy population of both retail and institutional participants — a pattern the Commission has observed in adjacent event-contract categories.

We address each of these points in turn below and conclude with observations responsive to several specific ANPRM questions, including those concerning manipulation susceptibility, insurance comparisons, the scope of the term "gaming," inside information, and existing anti-manipulation authority.

[3]See KalshiEX LLC, Certified Event Contract listings, available at https://www.cftc.gov/IndustryOversight/IndustryFilings/TradingOrganizationProducts (including the BILLBOARDRANK and STREAMRANK series, cited here as representative examples of music-referenced certifications; no endorsement of any specific DCM or listing is intended).

I. Music Contracts Resolved by Tangible Metrics Provide the Industry with Hedging and Price-Discovery Tools That Did Not Previously Exist

Contracts that resolve against tangible, third-party administered music metrics — paradigmatically stream counts (e.g., the KalshiEX STREAMRANK series) and chart rankings (e.g., the KalshiEX BILLBOARDRANK series)[4] — are, in our view, the bedrock of the music sector of prediction markets. They share the critical feature that the Commission's framework is built around: the resolution metric is objective, computed by an independent party, and tied to economic consequences that participants in the underlying industry already track, price, and rely upon. For chart-ranking contracts, the resolution metric is administered by Luminate, the industry's principal third-party music-consumption data provider and the entity that has powered the Billboard charts for more than three decades.[5] For stream-count contracts, the resolution metric is the stream tally published by the referenced DSP — data that is the literal input to royalty allocation for the same rights holders who have the greatest exposure to the underlying outcome.

The Commission asks in ANPRM Question 10 what role event contracts play in "managing and assuming price risks, discovering prices, or disseminating pricing information" and how hedging and price-discovery considerations should inform the Commission's public interest analysis under CEA Section 5c(c)(5)(C). Our answer, with respect to music, is that these tools enable categories of commercial risk management that today are effectively unavailable to the rights-holder ecosystem. We identify four illustrative use cases, beginning with the price-discovery use case we consider most directly aligned with the public interest framing in CEA Section 3(a):

First, **price discovery for independent and emerging artists.** Perhaps most meaningfully for the public interest, a liquid prediction market for music metrics produces continuously updated, consensus-based probability estimates of discrete outcomes — "will this song reach the Billboard Hot 100 top ten," "will this album cross one billion streams." For independent artists and smaller labels who lack the internal analytics capability of major labels, these market-implied probabilities are themselves an information good. They reduce information asymmetry between well-resourced and under-resourced market participants — a classic public-interest benefit of well-designed derivatives markets.

Second, **release-cycle revenue hedging.** A record label releasing a flagship album in Q4 may have committed marketing spend, producer advances, and tour support against a revenue forecast tied to first week and first month streaming performance. Today there is no public market instrument that correlates to that first-month stream total. A liquid market in STREAMRANK-style contracts referencing the artist, catalog, or title permits the label — or any participant with a commercial interest in the outcome — to offset downside exposure without having to renegotiate underlying contracts, pull marketing spend, or delay release.

[4]Luminate, https://luminatedata.com/ (describing Luminate as "powering the iconic Billboard Charts for over 30 years").

[5]Spotify for Artists, Artificial Streaming, https://artists.spotify.com/en/artificial-streaming (describing detection, royalty denial for flagged streams, exclusion from chart contribution and public play counts, and penalty fees).

Third, **catalog valuation and publisher hedging.** The music catalog acquisition market has over the past several years become a multi-billion-dollar asset class, with private-equity and institutional buyers acquiring income streams priced off projected future streams and performance royalties.[6] These buyers face meaningful basis risk between their acquisition model and realized performance. A liquid market in chart-ranking and stream-count contracts referencing the acquired catalog, or a closely correlated basket, would allow these institutional participants to partially hedge — analogous in principle to the way agricultural producers use commodity futures to manage yield risk, subject of course to the specific design and liquidity characteristics of any particular music-referenced contract.

Fourth, **sync and licensing workflow hedging.** Publishers and labels routinely negotiate film, television, advertising, and gaming sync licenses whose value is tied to a song's ongoing cultural currency. A publisher contemplating a multi-year synchronization license at a particular price point is economically exposed to whether the song in question remains in the top stream tier over the license term. Contracts referencing observable chart or stream milestones provide a legitimate hedging instrument for this exposure.

We respectfully suggest that these hedging and price-discovery use cases, while still nascent, are directly responsive to the considerations set out in CEA Section 3(a) and are appropriately weighted in any public interest analysis the Commission undertakes under CEA Section 5c(c)(5)(C). None of them requires the Commission to expand the statutory framework; each is capable of being evaluated under the Commission's existing Core Principles for DCMs and the existing requirement that contracts not be readily susceptible to manipulation.

II. Music-Adjacent Contracts Present a Spectrum — From Clearly Acceptable Award-Outcome Designs to Clearly Problematic Designs Involving Manipulation Risk or MNPI Exposure

A second category of music-related event contracts — which we refer to as "music-adjacent" contracts — resolves against metrics other than stream counts and chart rankings. This category is heterogeneous, and we believe the Commission's public interest analysis under Section 5c(c)(5)(C), and its Core Principle 3 analysis of susceptibility to manipulation, should likewise distinguish among designs within the category. We respectfully offer the following framework, which we refer to as the **Adversarial-Process vs. Controllable-Outcome** distinction.

On the clearly acceptable end of the spectrum sit contracts whose resolution metric is governed by a structured, multi-party, adversarial process that is difficult or effectively impossible to manipulate. Two canonical examples:

• *"Will artist XYZ win Category ABC at the [Year] Grammy Awards?"* Grammy outcomes are determined by a secret ballot of approximately 13,000 voting members of the Recording Academy. No single party controls the outcome, no participant has pre-announcement knowledge of the final tally, and the voting process is independently administered. These contracts closely resemble — and in many cases are

[6]Music Fights Fraud Alliance, https://musicfightsfraud.com/; see Music Platforms Unite to Form Industry-Wide Anti-Fraud Alliance, TuneCore (June 14, 2023), https://www.tunecore.com/press/music-platforms-unite-to-form-industry-wide-anti-fraud-alliance.

functionally identical to — awards-ceremony contracts the Commission has already seen listed on DCMs in connection with the Oscars, the Emmys, and other awards.

• *"Will song ABC appear in the soundtrack of the film that wins the Academy Award for Best Picture?"* Resolution of such a contract depends on two layers of non-manipulable outcomes: the composition of the film's soundtrack (fixed at release and publicly verifiable) and the Oscar voting outcome (governed by an independent, multi-thousand-member adversarial voting body). We view these designs as appropriately analogous to the cultural-outcome contracts currently listed.

On the clearly problematic end of the spectrum sit contracts that, irrespective of how they are labeled, share either (i) a resolution outcome that is within the actual or effective control of a small, identifiable group of individuals, or (ii) an information environment in which a specific, identifiable class of persons has direct access to material non-public information about the resolution outcome. We offer two music-domain illustrations:

• *"Will artist XYZ release her next single before [Date]?"* The resolution outcome of such a contract is within the operational control of the artist, her label, and her management team. Release timing is routinely moved forward or backward for strategic reasons, and those decisions are made non-publicly. The class of persons with perfect pre-resolution knowledge is small, identifiable, and has direct commercial incentive to transact.

• *"Will song XYZ be in artist ABC's setlist at Madison Square Garden on [Date]?"* The artist, her band, her touring production team, venue stage managers, and others have perfect advance knowledge of the setlist. Setlist composition is both within operational control of a small identifiable group and subject to last-minute discretionary change by the performer. Contract resolution in this configuration presents acute risk of the "inside information" concern the Commission raises in ANPRM Questions 29 and 30.

We respectfully suggest that the governing analytical question the Commission should ask of any music-adjacent contract design is not categorical ("is this gaming?") but structural: does the resolution metric rest on an independent, multi-party, adversarial process whose outputs are publicly verifiable, or does it rest on an outcome within the actual or effective control of a small, identifiable group of persons who themselves have commercial interests tied to the contract? The first rests comfortably within DCM Core Principle 3; the second does not. This is, in our view, the same structural inquiry the Commission applies elsewhere — for example, in distinguishing a broad-based securities index (many component issuers, many market participants, observable aggregate prices) from a narrow-based index susceptible to single-issuer influence. The distinction is familiar; we suggest only that it be applied with precision to music-related designs.

III. Effective Curation of Music-Related Contracts Requires Structured Coordination Among DCMs, Rights Holders, and Resolution Vendors

The Commission's ANPRM asks (Question 2.c.) how a determination of whether an event contract is "readily susceptible to manipulation" should be made, and what factors should inform that determination. In the music sector, our experience is that susceptibility to manipulation is only partly a property of the resolution metric itself; it is substantially a property of how the contract is constructed, curated, and coordinated with the participants who produce the underlying commercial activity.

A stream-count contract referencing an individual micro-catalog track by an obscure artist on a single DSP is, all else equal, more susceptible to manipulation than a contract referencing a broad basket of titles by an established artist across all major DSPs. A chart-ranking contract referencing a weekly chart with published methodology and a long track record of anti-gaming safeguards is less susceptible than a contract referencing a short-horizon, low-denomination chart whose methodology is newer and whose historical volume of anomaly flags is not yet well understood. A contract whose observation window is short enough to be influenced by a single promotional push is more susceptible than a contract whose observation window spans a period sufficient to wash out short-horizon anomalies.

None of these properties is inherent to "music" as a category. Each is a design choice. Structured coordination between the DCM listing the contract and the parties who own or administer the underlying resolution data — including labels, artists, publishers, and the DSPs, Luminate, and infrastructure vendors such as Tuned Global — materially affects each of them. In our experience, a well-curated music contract results from a workflow in which four design elements receive active attention:

(i) **Reference-universe definition.** The set of tracks, artists, or catalogs against which the contract resolves is defined in consultation with rights holders and the data vendor. For example, a stream-count contract referencing an entire album rather than a single isolated track meaningfully reduces the marginal impact of any specific anomalous streaming pattern.

(ii) **Observation-window calibration.** The window over which the metric is observed is calibrated against the historical volatility of the reference metric and against the time horizon over which the reference metric's anti-gaming safeguards operate. Longer windows generally improve robustness; daily or intra-day windows on narrow references require additional design attention.

(iii) **Position limits and position accountability.** Limits are set in light of the scale of the referenced commercial activity. A chart-position contract referencing a recording that generates a few hundred thousand weekly streams requires smaller absolute limits than a contract referencing a title generating tens of millions of weekly streams.

(iv) **Reference-metric monitoring.** Monitoring arrangements are in place to flag anomalous activity in the reference metric itself — not merely anomalous trading activity on the exchange. A sudden unexplained acceleration in streams for a narrowly referenced title, for instance, is a signal relevant to contract integrity even if the exchange-side order book appears normal.

This is a coordination layer that, in our experience, does not arise spontaneously. It is the coordination layer FanLabel MusicMarkets exists to provide. We offer this description of our own function not to advertise it but because we believe it is directly responsive to the Commission's Core Principle 3 question: the same resolution metric can produce a contract that is, or is not, readily susceptible to manipulation depending on how the surrounding contract design is coordinated with the underlying industry.

IV. Resolution-Data Vendors Are Already the Economic Backbone of Music Royalty Allocation and Have Invested Heavily in Accuracy and Fraud Resistance

The Commission's questions under Core Principle 3 and its questions concerning inside information both turn, in part, on the integrity of the data that resolves an event contract. With respect to music, we believe the Commission will find that the relevant resolution data is already substantially more scrutinized, adversarially contested, and anti-fraud-invested than is typical for event-contract resolution metrics — not because of the prediction market industry, but because of the multi-billion-dollar royalty ecosystem that sits upstream of it.

The economics are straightforward. One industry estimate attributes approximately $2 billion annually in diverted royalties to streaming fraud.[7] Because DSPs pay out mechanical and performance royalties on a pro-rata basis driven by stream share, every inflated stream dilutes the royalty pool available to legitimate rights holders. Every participant in the recorded-music value chain — artists, labels, publishers, performance rights organizations, the Mechanical Licensing Collective,[8] and the DSPs themselves — has direct financial incentive to detect and remove fraudulent streams before royalties are calculated, and each is contractually and, in many cases, statutorily accountable for the accuracy of that process.

Five concrete indicia of this investment bear on the Commission's analysis:

First, the principal chart data vendor, **Luminate,** reports applying proprietary machine-learning anomaly-detection algorithms across data delivered by its external data partners, acting on top of each DSP's own detection.[9] Industry reporting has documented instances in which Luminate has corrected and republished chart rankings after the fact to remove inputs later identified as fraudulent, and its incentives are strongly aligned with the integrity of its own product: chart rankings are its flagship offering and are contracted to subscribers including the largest labels, publishers, and investors in the industry.

[7]Press Release, U.S. Attorney's Office, S.D.N.Y., Musician Charged for Orchestrating Multi-Million Dollar Streaming Fraud Scheme Through Artificial Intelligence-Generated Music (Sept. 4, 2024); see also United States Attorney's Office, S.D.N.Y., Announcements Regarding United States v. Smith (Mar. 19, 2026) (announcing guilty plea to one count of conspiracy to commit wire fraud; forfeiture agreement of $8,091,843.64; indictment alleging more than $10 million in fraudulently obtained royalties; Smith's contemporaneous boast of over $12 million in royalties since 2019).

[8]Beatdapp, a streaming-fraud detection firm, has estimated annual industry-wide diverted royalties at approximately $2 billion; this is one industry estimate and should be read as such. See Ethan Millman, Inside the Rise of Bots and Streaming Fraud in Music, Rolling Stone (2026).

[9]Spotify, Modernizing Our Royalty System (Nov. 2023); Spotify for Artists, supra note 5. The per-track penalty took effect April 1, 2024.

Second, the major DSPs have each publicly and repeatedly committed to anti-fraud investment. **Spotify,** beginning April 1, 2024, charges distributors and labels a per-track penalty when flagrant artificial streaming is detected, in addition to denying royalties on flagged streams, excluding flagged streams from public stream counts and chart contributions, and removing the positive influence of flagged activity from recommendation algorithms.[10] The three other major DSPs (Apple Music, Amazon Music, YouTube Music) operate comparable detection and enforcement regimes.

Third, the industry has formalized cross-platform anti-fraud coordination through the **Music Fights Fraud Alliance** ("MFFA"), a nonprofit established in June 2023 that now includes more than 28 member organizations — including Spotify, Amazon Music, YouTube Music, SoundCloud, Meta, Merlin, and the leading independent distributors (TuneCore, DistroKid, UnitedMasters, EMPIRE, Symphonic, CD Baby, and others). MFFA operates a shared database of fraud markers in coordination with the National Cyber-Forensics and Training Alliance, enabling cross-platform real-time identification of suspicious accounts.[11]

Fourth, distributor-level enforcement flows through the value chain. When a DSP flags flagrant artificial streaming, the per-track penalty assessed against the distributor is typically passed through to the account holder, and repeated violations can result in suspension or removal of the account from the distribution pipeline.[12] This creates a private-law deterrent regime that supplements the technical detection infrastructure.

Fifth, the seriousness of this enforcement posture is illustrated by the federal prosecution and March 19, 2026, guilty plea of **Michael Smith** in the Southern District of New York. The indictment alleged that Smith orchestrated an AI-enabled scheme to defraud streaming platforms of more than $10 million in royalties through approximately four billion artificially generated streams of hundreds of thousands of AI-authored tracks; Smith himself had separately boasted of generating more than $12 million in royalties since 2019. Smith pled guilty to one count of conspiracy to commit wire fraud, agreed to forfeit $8,091,843.64, and faces a maximum of five years in federal prison.[13] The Smith prosecution demonstrates that attempted manipulation of the very metrics that would resolve stream-count event contracts is already subject to federal criminal law enforcement, independent of any prediction-market regulatory regime.

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[10]Industry reporting describes Luminate as applying proprietary machine-learning anomaly-detection algorithms across data delivered by external partners, supplementing each streaming service's own detection. Industry reporting has also documented instances in which Luminate has corrected chart rankings after the fact to remove inputs later identified as fraudulent. See generally Luminate, supra note 4; Ethan Millman, supra note 8.

[11]See 7 U.S.C. § 5(a) (describing the national public interest served by "managing and assuming price risks, discovering prices, or disseminating pricing information through trading in liquid, fair and financially secure trading facilities").

[12]See 7 U.S.C. § 9(1); 17 C.F.R. § 180.1 (prohibiting the use of any manipulative or deceptive device in connection with any swap or contract of sale).

[13]See Kalshi Help Center, What are Prediction Markets, https://help.kalshi.com/kalshi-101/what-are-prediction-markets (identifying Music Charts and Awards Shows, including the Grammys, among cultural markets currently offered).

We highlight this ecosystem for a specific reason. The Commission's susceptibility-to-manipulation analysis is often, in practice, an analysis of whether adequate detection and deterrence regimes exist in the market that produces the resolution metric. For music stream counts and chart rankings, the answer is that such regimes exist, are funded by participants with multi-billion-dollar direct financial exposure to their accuracy and continue to receive substantial additional investment — all driven by commercial necessity unrelated to the prediction-market industry. A prediction market that references Luminate's chart output or a DSP's published stream count is therefore referencing a metric that is already among the most scrutinized data products in the media industry.

We do not overstate the point. No detection regime is perfect; publicly reported allegations of attempted chart manipulation (such as the widely-covered remarks by rap artist Young Thug in 2022 regarding the chart performance of Gunna's *DS4Ever* album — allegations that Luminate publicly disputed at the time) illustrate that incentives to manipulate reference metrics exist and are not always detected. But the Commission's Core Principle 3 question is not whether a metric is immune to manipulation — no commodity-price metric ever is — it is whether a metric is *readily* susceptible. In our view, the combination of (i) DSP-level detection, (ii) Luminate-level anomaly detection, (iii) MFFA cross-platform coordination, (iv) distributor-level penalty pass-through, and (v) active federal criminal enforcement places mainstream chart-ranking and stream-count metrics at the lower end of the susceptibility spectrum for event-contract reference data, and, we respectfully submit, satisfies the Core Principle 3 standard that contracts not be *readily* susceptible to manipulation.

V. As Standardization and Liquidity Build, Both Retail and Institutional Participants Will Find a Home in Music Markets

The Commission asks (ANPRM Question 4) how trading on prediction markets by institutional traders compares with retail trading, and how institutional trading on SEFs might affect liquidity on DCMs. Our observation, drawing on both the trajectory of adjacent event-contract categories and the structure of the music industry itself, is that the music sector will support a healthy mix of both kinds of participants — and that institutional participation, far from crowding out retail interest, is the prerequisite for the hedging use cases described in Section I above.

On the retail side, music is one of the most broadly consumed categories of cultural product in the United States, with tens of millions of Americans engaging regularly with streaming services, charts, and awards. Retail participants engage with these metrics as part of ordinary consumption, and their informational engagement tends to be sustained year-round rather than concentrated around discrete events. The aggregation properties of prediction markets — the Commission's own framing of them as "information aggregation vehicles" — are particularly well-matched to a domain in which millions of consumers continuously express preferences through their listening behavior, social amplification, and attention.

On the institutional side, music is now a significant asset class. Catalog acquisition transactions have repeatedly cleared into the hundreds of millions and, in several recent cases, billions of dollars.[14] Institutional investors in this asset class include private-equity platforms, specialized music investment funds, and, increasingly, multi-strategy and pension-fund allocators. Each of these participants has, today, no meaningful public instrument for hedging the stream and chart performance of a catalog they either own or are evaluating. As liquidity in well-designed music event contracts builds — initially led by retail activity and gradually supplemented by rights-holder and institutional flow — we expect institutional participants to use these contracts both for hedging and for expression of directional views informed by their proprietary analytics. That institutional layer is precisely what deepens liquidity to the point where a label, publisher, or catalog acquirer can execute a meaningful hedge without moving the market against itself.

We accordingly encourage the Commission, in any guidance or rulemaking arising from the ANPRM, to preserve the flexibility for music-related event contracts to be listed on DCMs (accessible to the general public) and, where appropriate, on SEFs (accessible to eligible contract participants). Each venue type serves a distinct economic function, and for music both will matter as the sector matures.

VI. Specific Observations Responsive to ANPRM Questions

For the Commission's convenience, we briefly summarize how the foregoing observations bear on several specific ANPRM questions:

Question 2.c. (Core Principle 3 — susceptibility to manipulation). We respectfully suggest that the analysis should focus on the structural characteristics of the resolution metric (third-party administered, publicly verifiable, multi-party adversarial process), the design of the contract (reference universe, observation window, position limits, reference-metric monitoring), and the maturity of the detection and enforcement regime in the underlying industry. For mainstream music chart rankings and stream counts, these factors weigh toward permissibility. For narrow, short-horizon, or controllable-outcome designs, they weigh the other way.

Question 10 (hedging and price-discovery under CEA Section 3(a)). Music event contracts referencing chart rankings or stream counts offer distinct hedging utility to labels, publishers, catalog acquirers, and synchronization licensees, and distinct price-discovery utility to independent artists and smaller rights holders who today lack institutional analytics resources.[15]

Question 12 (comparison to insurance contracts). The music industry has a limited and fragmented market for performance-contingent insurance products; policies covering release-date postponement, tour cancellation, and artist non-appearance exist but are not generally written against stream or chart outcomes.

[14]The Mechanical Licensing Collective administers streaming mechanical royalties under the Music Modernization Act, 17 U.S.C. § 115, and has publicly committed to anti-fraud and anomaly-detection investment. See MLC Statement on Streaming Fraud, https://themlc.com/ (describing the MLC's investment in anomaly detection and cross-industry collaboration on fraud prevention).

[15]See, e.g., Billboard Pro, The Music Biz in 2024: A Year in Catalog Deals (summarizing multi-hundred-million and billion-dollar catalog acquisition transactions during 2024–25); Hipgnosis Songs Fund and Concord Music Group public disclosures (illustrating catalog valuation methodology tied to projected streaming and performance royalties).

Music event contracts fill a distinct gap from traditional insurance, which typically addresses discrete loss events rather than continuous performance shortfalls against a forecast. Availability or non-availability of insurance should be one input to the Commission's public-interest analysis, not a categorical substitute.

Question 15 (scope of the five activities). We respectfully suggest the Commission distinguish the five enumerated activities by the character of their underlying conduct rather than by the superficial form of the contract. Music chart-ranking and stream-count metrics are observable economic quantities produced by the aggregate consumption behavior of millions; they are no more "gaming" than the box-office receipts of a film or the television viewership of a broadcast.

Question 19 (scope of "gaming"). We respectfully suggest that the Commission distinguish, as the ANPRM itself contemplates in Question 19.b., between sports competitions, award competitions, and other contest types, and further distinguish within each category based on the structural features of the resolution metric. Music chart-ranking and stream-count contracts — whose outcomes are determined by the aggregate listening behavior of tens of millions of consumers, administered by independent third-party data vendors, and materially uncorrelated with "gaming" as colloquially understood — do not fit within any reasonable scope of the term. Awards-based music contracts (Grammys, soundtrack-of-Oscar-winner) likewise resemble the awards-show contracts the Commission has already seen listed on DCMs.[16]

Questions 29–30 (inside information). The music sector illustrates the distinction the Commission is probing — aggregate consumption metrics (streams, chart rank) are produced by millions of independent decisions and are substantially MNPI-resistant above a de minimis catalog size, although MNPI of certain kinds — release-timing decisions, playlist-placement confirmations, promotional-campaign scale — can still affect short-horizon outcomes and warrant design attention. Discretionary-outcome metrics (setlist, tour-stop selection, personal events within an artist's control) are structurally exposed to MNPI held by small, identifiable groups. The Commission can materially address the MNPI concern by focusing its susceptibility analysis on the size and identifiability of the group with advance knowledge of the resolution outcome.

Question 31 (CEA Section 6(c)(1) existing authority). In our view, CEA Section 6(c)(1) and Regulation 180.1 already provide the Commission with substantial authority to police actual manipulative or deceptive conduct once a contract is listed;[17] the more useful ex-ante tool is tight contract design at the listing stage that avoids resolution outcomes within any small group's control. The two tools are complementary: design discipline at listing reduces the frequency with which the Commission's anti-manipulation authority must be invoked, and the anti-manipulation authority remains available for cases that escape ex-ante design review.

[16]The views expressed in this letter are those of FanLabel MusicMarkets. FanLabel MusicMarkets is not a CFTC-registered entity, and nothing in this letter should be read as describing the regulatory obligations or views of any DCM, clearinghouse, rights holder, data vendor, or other third party, or as an admission of any legal duty of care owed by the Company to any third party.

[17]

VII. Conclusion and Offer of Further Engagement

FanLabel MusicMarkets appreciates the Commission's willingness to reconsider the prediction-markets framework in an open, inquiry-based posture. The music sector of event contracts is young, but its underlying data ecosystem is mature, its commercial use cases are identifiable and economically meaningful, and its structural distinctions between well-designed and poorly designed contracts are readily describable in the same analytical vocabulary the Commission already applies under Core Principles 3 and 4.

The Company would welcome the opportunity to engage further with Commission staff on any of the points raised in this letter — in written follow-up, a staff meeting, or any public workshop or roundtable the Commission may convene in connection with this ANPRM or related work. We would be pleased to make Company subject-matter expertise available to the Commission, at no cost and on a non-exclusive basis, as the Commission considers next steps.

We thank the Commission for its consideration of these comments.

Respectfully submitted,

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