Re: Advance Notice of Proposed Rulemaking on Prediction Markets (Event Contracts)

Dear Commissioners:

I submit these comments as an individual retail participant in CFTC-regulated prediction markets. My perspective is informed by a career running two government relations practices in Washington, D.C., before transitioning to full-time trading in July 2025. Today, the income generated from these markets supports my household in the Midwest. I offer these observations to assist the Commission in understanding how retail participants utilize event contracts for legitimate financial purposes and where the current framework can be strengthened.

I. Prediction Markets Facilitate Hedging and Price Discovery

A. Hedging and Risk Management

I use event contracts to hedge directional exposure across my portfolio, including the S&P 500, digital assets, and precious metals. While alternative hedges can be built with listed options, event contracts offer superior accessibility to retail participants because their binary structure is intuitive. The result is a structurally sound offset: when markets rally, my hedge positions lose value but the underlying appreciation more than compensates; when markets move sideways or decline, the hedge pays out. Either outcome is acceptable, and the combination lets me keep long-term retirement capital invested while covering day-to-day expenses from my hedge book.

B. Political and Policy Markets

The predictive function of these markets is a public asset. Pricing on political and policy contracts has become a meaningful input to news coverage and public understanding of current events. Characterizing these markets as "gambling" is a category error. Success requires a rigorous understanding of legislative procedure, electoral dynamics, and the political ecosystem. Risk is inherent to any trading activity, but the consistent results achieved by skilled participants reflect analytical rigor, not chance.

C. Event-Driven Economic Markets

Policy events — Federal Reserve decisions, executive communications, major economic data releases — increasingly drive short-term pricing in equities and fixed income. Research published by the Federal Reserve Board (Diercks, Katz, and Wright, 2026) found that CFTC-regulated Fed rate markets match the predictive accuracy of professional Wall Street forecasters. That finding illustrates the price discovery value of the event contract category.

II. The DCM Framework Is Essential for Market Integrity

The existing Designated Contract Market framework provides the institutional confidence necessary for me to deploy capital at scale. Participant funds are held in segregated accounts subject to federal oversight. Contracts settle against defined, transparent criteria. Dispute

resolution is administered by expert staff at regulated exchanges — a level of rigor not consistently available on unregulated platforms.

Federal preemption matters acutely to retail participants. If individual states are permitted to impose separate gaming regulation on federally regulated exchanges, retail traders will face a confusing patchwork of access restrictions that varies by ZIP code. Such a patchwork would undermine the CEA's core objective of maintaining uniform national standards for commodity derivatives. Activity will migrate to offshore and on-chain venues where none of the protections at issue here — segregated funds, defined settlement, dispute resolution, anti-manipulation surveillance — apply. The Commission should reaffirm that CFTC oversight of DCMs is the appropriate regulatory standard and that the Commodity Exchange Act preempts state gaming laws with respect to federally registered event contracts.

III. Prohibiting Market Manipulation

Insider trading and market manipulation must remain prohibited. Isolated misconduct should be prosecuted, but it does not represent the broader retail participant base. I support efforts to strengthen protocols for identifying and prosecuting trading on non-public information, and I encourage the Commission to formalize anti-manipulation standards tailored to event contracts — including rules addressing participants holding outsized positions in policy-sensitive contracts.

IV. Sports Contracts and Consumer Protection

The legal status of sports contracts is contested, but two observations are clear. First, an exchange model — where the operator is not economically motivated to extract value from losing participants — is inherently fairer than traditional sportsbooks that limit or ban successful bettors. Second, the existing state-by-state self-exclusion regimes are weak and fragmented. I note that some DCMs have voluntarily joined cross-platform self-exclusion systems such as SelfExclude.io, which suggests the industry is prepared to accept this as a baseline obligation. The Commission should consider requiring DCMs to participate in a recognized cross-platform self-exclusion registry as a condition of offering sports or other high-engagement contract categories.

V. Where the Current Framework Can Be Improved

I offer the following constructive observations from the retail participant perspective:

1. **Minimum contract duration.** Very short-duration contracts — intraday and shorter — in mainstream asset classes are dominated by participants using technology to accelerate execution. They contribute little to price discovery on the underlying event and concentrate activity among a narrow class of participants. The Commission should consider establishing a minimum time-to-settlement of at least one trading day for contracts in major asset categories.

2. **Cross-platform self-exclusion mandate.** As noted above, require DCMs to participate in a recognized cross-platform self-exclusion registry to provide consumer protection that state regimes have failed to deliver.

3. **Continued enforcement against insider trading.** Recent manipulation incidents, often involving offshore platforms, risk eroding public trust in prediction markets broadly. Continued investment in detection protocols and inter-agency coordination is essential.

4. **Tax coordination.** This likely falls outside the Commission's direct jurisdiction, but I encourage coordination with the Treasury and IRS on simplified, standardized tax treatment for retail participants. Current ambiguity creates real compliance burdens and discourages participation.

VI. Conclusion

Prediction markets have become a serious tool for retail participants who use them to hedge real risk, apply domain expertise, and participate in price discovery. The CFTC-DCM framework makes that participation possible. I urge the Commission to preserve and strengthen that framework, resist fragmentation through inconsistent state regulation, and pursue the targeted reforms outlined above — including minimum contract durations, standardized fee and settlement practices, and cross-platform self-exclusion — that will enhance market integrity while protecting the retail participants these markets increasingly serve.

Respectfully submitted,

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