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Public Comment on CFTC Advance Notice of Proposed Rulemaking on Prediction Markets
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I work in data analytics focused on fraud, waste, and abuse, with experience in anti-money laundering, anti-corruption compliance, and internal controls across multiple industries. In that work, a core challenge is identifying meaningful signals from fragmented and often incomplete data. Event contracts perform a similar function in a different context: they aggregate dispersed information into a single probabilistic signal that can be used to inform decisions. That kind of forward-looking signal is not speculative in the abstract—it is operationally useful in environments where uncertainty is high and timing matters.

In my experience, traditional monitoring systems tend to rely on lagging indicators. By the time a risk is clearly observable in structured reporting, the opportunity to intervene early has often passed. Approaches that incorporate probabilistic assessments—drawing on diverse, independent inputs—improve the ability to detect and respond to emerging risks. Prediction markets operate on that same principle. They synthesize distributed knowledge into a continuously updated signal, which can improve how organizations interpret uncertainty and allocate attention and resources.

From that perspective, event contracts can contribute to the functions described in § 3(a), particularly price discovery and the dissemination of pricing information. When designed around research or policy-relevant questions, they generate timely information about uncertain future states in a way that is directly relevant to risk management. Treating these mechanisms solely through the lens of traditional commodity hedging misses the broader informational role they can play.

From an operational standpoint, markets designed to generate information for research and decision-making serve a different function than commercial trading platforms, and evaluating them the same way risks overlooking their distinct value.