April 29, 2026

VIA ELECTRONIC SUBMISSION
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Submitted via https://comments.cftc.gov

Re: Advance Notice of Proposed Rulemaking, Prediction Markets;
RIN 3038-AF65; 91 Fed. Reg. ___ (March 16, 2026)

Dear Acting Secretary:

Levr Labs Inc. ("***Levr***") respectfully submits these comments in response to the Commission's Advance Notice of Proposed Rulemaking on Prediction Markets, published in the Federal Register on March 16, 2026 (the "***ANPRM***"). Levr is a development-stage technology company building an on-chain prediction market and margin facility designed for U.S. retail and institutional participants. Levr is preparing for engagement with the Division of Market Oversight regarding registration as a Designated Contract Market under Part 38 of the Commission's regulations and registration of an affiliated entity as a Futures Commission Merchant under Part 1.

Levr appreciates the Commission's engagement with the prediction market category and its willingness to consider how the regulatory framework should evolve to accommodate margin trading and novel operational structures while preserving customer protection, financial integrity, and market oversight. Levr offers six positions in response to the ANPRM, summarized in Section I and developed in Sections II through VII. Section VIII concludes.

I. Summary of Positions

1. Margin trading should be permitted on Designated Contract Markets listing event contracts, on terms consistent with the Commission's existing framework for futures and swaps.
2. The affiliated-Futures Commission Merchant structure recently approved in connection with KalshiEX LLC and Kinetic Markets LLC should be expressly recognized as a permissible architecture for delivering margin against event-contract positions.
3. On-chain custody, including segregation of customer collateral within audited smart-contract vaults, can satisfy the economic substance of Section 4d of the Commodity Exchange Act and Part 22 of the Commission's regulations, provided appropriate operational and governance safeguards are in place. The Commission should not foreclose decentralized-finance-native structures.

4. Retail access to margin should be phased in with appropriate safeguards, including position limits, customer suitability standards, initial leverage caps, and risk-based margining, rather than categorically prohibited.

5. Sports- and gaming-adjacent event contracts should not be categorically excluded under Section 5c(c)(5)(C) of the Commodity Exchange Act or 17 CFR 40.11. The Commission's public-interest analysis should focus on market integrity, customer protection, and susceptibility to manipulation, not the topic of the underlying event.

6. The Commission should establish a predictable procedural runway for novel DCM applications, including on-chain venues, incorporating structured pre-application engagement, parallel processing of affiliated entities, and reasonable review timelines.

II. Margin Trading Should Be Permitted

The Commission asks whether prediction market platforms should be permitted to offer trading on margin. Levr's position is yes, without qualification as to the category. The full-collateralization posture currently applied to event contracts is an artifact of the early-stage caution that accompanied the category's emergence. It is not a structural feature of the Commodity Exchange Act or the Commission's rules, and it is not how any other regulated derivatives market in the United States operates.

Margin is foundational to the efficient functioning of futures and swaps markets. It permits hedgers and speculators to deploy capital efficiently, narrows bid-ask spreads, and supports the price-discovery benefits that retail and institutional participants alike rely on. The continued absence of margin in event-contract markets imposes a cost on price discovery without delivering a meaningful customer-protection benefit beyond what existing customer-funds segregation, suitability, position-limit, and disclosure regimes already provide.

The Commission's customer-protection framework, comprising Sections 4d and 4f of the Commodity Exchange Act, Parts 1, 22, and 30 of the Commission's regulations, and the National Futures Association rules that operationalize them, is well-developed, has been field-tested across multiple market dislocations, and is fully capable of accommodating margined event-contract trading. The appropriate question is not whether margin can be safely offered. It is how to structure the rules to ensure that risk is managed proportionately to the participant and the contract.

III. The Affiliated-FCM Structure Should Be Expressly Recognized

In March 2026, Kinetic Markets LLC, an affiliate of KalshiEX LLC, received Futures Commission Merchant registration approval from the National Futures Association. That structure, under which a DCM lists the event contracts and a separately registered affiliated FCM extends margin against customer positions, mirrors the architecture of every other regulated futures market in the United States, in which DCMs and FCMs play complementary, separately licensed roles.

Levr supports the Commission's express recognition of this structure as a permissible framework for delivering margin in the event-contract category. Conflicts of interest between affiliated

DCM and FCM entities are well-understood in the futures markets and are managed through information barriers, segregation requirements, governance standards, and Part 1 and Part 22 compliance. None of those concerns is unique to event contracts, and none is heightened by the existing affiliated DCM and FCM structures the Commission has long permitted in conventional markets.

The Commission's rulemaking should make clear that affiliated DCM and FCM structures are permitted for event-contract markets on the same terms as for futures markets, and that no novel prohibition or heightened-scrutiny standard applies merely because the underlying contract is an event contract.

IV. On-Chain Custody Should Be Recognized Under Section 4d

A growing share of new DCM and FCM applicants, including Levr, are designing operations that rely on blockchain-native settlement and on-chain custody of customer collateral. The Commission should not foreclose those structures. Specifically, the Commission should clarify that customer-funds segregation under Section 4d and Part 22 may be satisfied through audited smart-contract vaults and equivalent on-chain mechanisms, provided that:

1. Customer collateral is legally and operationally segregated from the FCM's proprietary assets, with smart-contract logic that prevents commingling and is auditable on-chain;
2. The smart-contract code is subject to independent third-party security audit and attestation, with public disclosure of audit results and code-change governance;
3. Key management for any administrative privileges meets Commission-recognized standards, including multi-signature controls and disclosed governance procedures; and
4. The FCM maintains the recordkeeping, reporting, and examination access required by Part 1, including the ability to produce records of customer balances and transactions in the form and on the timelines the Commission and the National Futures Association require.

The economic substance of Section 4d, namely that customer collateral is not available to satisfy the FCM's proprietary obligations and is recoverable in priority by customers in the event of FCM failure, is fully achievable through well-designed on-chain custody. Foreclosing that path would push innovation offshore without producing any meaningful customer-protection benefit.

V. Retail Margin Should Be Phased In With Guardrails

The ANPRM asks how margin trading should be permitted in prediction markets. Levr supports a phased approach that begins with sophisticated participants and extends to retail under a clearly defined set of safeguards.

A. Phase One: Institutional and Eligible Contract Participants.

Initial roll-out should be available to institutional participants and Eligible Contract Participants as defined in Section 1a(18) of the Commodity Exchange Act, on terms substantially similar to

those approved for Kinetic Markets. This phase allows DCMs, FCMs, and the Commission to develop operating experience with margined event contracts before retail extension.

B. Phase Two: Retail With Safeguards.

Retail access should be permitted following Phase One operating experience, subject to the safeguards set forth below.

1. Position limits on a per-account and per-market basis, calibrated to the depth of the underlying market and reviewed periodically.
2. Customer suitability and account-opening standards comparable to FINRA Rule 2360 (options) and the Commission's Regulation 1.55 disclosure regime.
3. Initial leverage caps for retail accounts. Levr suggests an initial cap of 5:1 (5x) for retail event-contract positions, with the ability to expand as operating experience accumulates.
4. Risk-based margin requirements that reflect the specific characteristics of binary and scalar event contracts, including the binary-resolution cliff risk.
5. Standardized disclosures regarding the leveraged nature of the position, the binary settlement structure, and the potential for total loss of posted margin.
6. Cooling-off periods and account-review triggers consistent with existing options-account practice.

This framework parallels the customer-protection regime applied to listed equity options offered to retail investors and is well-suited to the event-contract category.

VI. Gaming-Adjacent Contracts Should Not Be Categorically Excluded

The ANPRM revisits the application of Section 5c(c)(5)(C) of the Commodity Exchange Act and 17 CFR 40.11 to event contracts on gaming and similar topics. Levr respectfully submits that the public-interest analysis under those provisions should focus on market integrity, customer protection, and susceptibility to manipulation, not the topic of the underlying event.

The U.S. Court of Appeals for the Third Circuit's April 6, 2026 opinion in *KalshiEX LLC v. Flaherty* held that sports event contracts are swaps under the Commodity Exchange Act and that the Act's grant of exclusive jurisdiction to the Commission preempts state gambling laws as applied to such contracts. The court's analysis confirms that DCM-listed event contracts on sports and similar topics fit comfortably within the Commission's existing regulatory framework. Categorical exclusion under Section 5c(c)(5)(C) or 17 CFR 40.11 is inconsistent with that conclusion and would impose category-of-topic restrictions that the Commission has correctly recognized are not statutorily required.

To the extent the Commission preserves a public-interest review mechanism, the criteria should be objective and category-neutral, focusing on susceptibility to manipulation, adequacy of price-discovery mechanisms, transparency of resolution sources, and operational integrity. Each of these criteria can be applied across topic categories, including elections, sports, economic indicators, and other events of public interest.

VII. Procedural Runway for Novel DCM Applications

The Commission has noted that DCM applications have more than doubled in the last year, with many applicants building purpose-specific prediction-market venues, including on-chain structures. The Commission's procedural posture should match the substantive opportunity. Levr respectfully recommends that the Commission take the following steps.

1. Formalize a structured pre-application engagement track with the Division of Market Oversight, with predictable meeting cadence and clear documentation expectations, so novel applicants can resolve open questions before formal filing.
2. Permit parallel processing of affiliated DCM, FCM, and (as applicable) DCO applications, with cross-functional Commission review teams, to reduce sequential delay.
3. Publish target review timelines and status updates so applicants and the Commission can manage capital and operational planning.
4. Provide guidance on the application of Core Principles 4 (market surveillance), 7 (system safeguards), and 11 (financial resources) to on-chain venues, including how smart-contract code review, oracle integrity, and vault solvency monitoring satisfy each Core Principle.

VIII. Conclusion

The Commission's engagement with the prediction-market category, including the issuance of this ANPRM, is a substantial and welcome step. Levr appreciates the opportunity to participate in the rulemaking and looks forward to continued engagement with the Commission, the Division of Market Oversight, and the National Futures Association as the framework develops. Levr is available to provide additional information or technical detail in response to any questions the Commission may have.

Respectfully submitted,



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cc: Office of the Chairman
Division of Market Oversight