To the fine people at the CFTC:

My name is John Shilling. I co-run a company, Blackbriar Technologies, that makes markets on prediction markets. I also co-host a podcast called "The Risk Takers Podcast" where we have interviewed the top prediction market traders and discussed the industry for over 100 hours.

I support the CFTC permitting and regulating event contracts on sporting outcomes offered through DCM-registered prediction markets. And I am writing in support of this because I think the conversation around this topic has not been practical or thoughtful of the consumer at all.

Point 1: We Have Been Here Before

The lens through which this discussion SHOULDN'T be viewed is "Should sports markets exist on a national scale?" Because the answer to this is "they already do" regardless of if Prediction Markets can offer sports event contracts or not.

The real question is why a more transparent, competitive, accessible market structure should be prohibited in favor of an opaque, exclusionary one.

Sports markets have existed for years in a quasi-legal bucket shop framework. If you compare the state regulated and offshore sports markets that existed prior to prediction markets, you will see they are the exact same thing.

The following is true of both bucket shops and legacy sports markets:

- The operator is the counterparty

- The operator sets the price and no quotes can compete with the operator’s price

- Customers can't close positions in a real market

- The operator profits when the customer loses

- The operator manages their book by excluding skilled customers

It's crucial to note that bucket shops were not outlawed because trading on prices is "bad" - as the current futures and options markets facilitate this fairly under the CFTC's

jurisdiction. Bucket shops were outlawed because the market structure was predatory. The other key point about the elimination of bucket shops was how it was done. First, the legitimate exchanges tried to keep bucket shops from getting their prices. Then the states tried to shut them down on a state-by-state basis before they were ultimately shut down for good by broader **federal** commodity regulations.

The whole regulatory architecture the CFTC operates within was, in significant part, built to ensure that contracts on prices and events should trade on transparent, multilateral exchanges with competitive price discovery, not against opaque bilateral counterparties with adverse interests.

State-licensed sportsbooks are a regression to the pre-regulatory bucket shop model that ignores the lessons commodity regulators learned a century ago. CFTC-regulated prediction markets would apply those lessons to sports event contracts. This isn't deregulation or expansion; it's the application of well-established market-structure principles to an activity that's currently being conducted under a structure American regulators rejected long ago.

Point 2: The Consumer

The open order book version of trading has won out in every market on the merit of its transparency and fairness. Anyone can post an order or take an order. In the open order book, skilled participants are essential in providing liquidity and improving price discovery. This resonates with me – as this is my firm's role right now.

We didn't start as "sophisticated" market participants. We started as people who loved modeling, sports and trading. All three of my firm's partners come from a financial trading background, which left us frustrated with the inevitable kick to the curb by the sportsbooks when we would win with the information we generated with our sports models.

Prediction markets gave us the opportunity to continue to participate in the markets we were passionate about. And by participating – we are competing with other smart traders and making prices better for the retail participants.

No one is saying that the trading team on DraftKings can't participate on the orderbook. It's their right – and I fully support them joining the market and competing on price with myself and other liquidity providers. What the lobby who wants to keep the antiquated bucket shop sports markets is really saying is that they want the exclusive right to milk recreational traders as they see fit. Any competition on price (while obviously beneficial for their

customers) would hit their margins and require them to be more sophisticated and competitive in their pricing.

Many (including myself), have pointed out that retail participants are not particularly price sensitive. This is exactly why we need a competitive and transparent market. Under the bucket shop model, inelastic demand is punished by the single counterparty setting their prices.

Creating an open order book protects customers by creating price competition for orders. Multiple liquidity providers in each market ensures that customers are being shown fair prices instead of being taken advantage of.

The natural extension of the open order book sports markets is some concept of NBBO down the line. This wouldn't be possible under the legacy structure – as a customer on DraftKings will never be given a better price by the operator because FanDuel happens to be offering a better price on that event. But under the PM structure, brokers could be required to fill retail orders at the best price which would further add to consumer protection.

Point 3: Recommendations

The Commission has the authority and the analytical framework to bring sports event contracts onshore into the kind of transparent, competitive market structure that has served American consumers and markets well for over a century. I respectfully offer the following recommendations:

1. ***Permit DCM-listed sports event contracts under existing CFTC oversight.*** The statutory framework, the surveillance infrastructure, and the market-structure principles required to do this well already exist. The Commission does not need to invent a new regulatory regime; it needs to apply the one it already operates to a category of contract that fits squarely within its jurisdiction.
2. ***Ensure genuine competition among DCMs and market participants.*** The consumer benefits I have described (tighter spreads, transparent pricing, fair access) only materialize if the market structure is actually competitive. The Commission should be wary of rules that would entrench a small number of incumbent venues or replicate the exclusionary practices of the legacy sportsbook industry. Open access for liquidity providers is not a nice-to-have; it is the mechanism by which prediction markets deliver better prices than sportsbooks.
3. ***Apply standard participant protections consistent with other CFTC-regulated markets.*** Position limits, transaction reporting, market surveillance, and

responsible-participation safeguards are well-established tools in CFTC markets. The biggest issue prediction markets are facing right now is policing insider trading to ensure fair markets. This is exactly where the industry needs the CFTC to lend a hand. If anything, prediction markets are easier to surveil than sportsbooks because order flow is centralized and fully visible – so I am optimistic that markets will only get more fair as collaboration with federal agencies grows.

Conclusion

The state-licensed sportsbook model excludes skilled participants, sets prices unilaterally against captive customers, profits when its customers lose, and offers no real exit liquidity. These are the defining features of the bucket shop, and they are precisely the features that the Commodity Exchange Act and its predecessor statutes were enacted to eliminate from American markets.

CFTC-regulated prediction markets fix every one of these problems through the same mechanism: transparent, competitive, exchange-traded price discovery with open access for participants. Skilled traders become liquidity providers, as they are in every other CFTC market. Recreational customers see competing prices instead of opaque markups. Hedgers gain a venue to manage real economic exposure. Surveillance becomes possible because order flow is centralized. The Commission's foundational principles, applied consistently, produce a structurally superior market.

Thank you for the opportunity to comment. I am available to discuss any of these points further.

Respectfully submitted,

John Shilling

Co-Founder, Blackbriar Technologies

Co-Host, The Risk Takers Podcast