Cassandra Laboratories Foundation, Inc. ("Cassandra") is a 501(c)(3) public charity (EIN 88-2645005) operating as a collective intelligence research institute. Cassandra submits this comment in response to the Commission's Advance Notice of Proposed Rulemaking on Prediction Markets, published at 91 Fed. Reg. 12516 (March 16, 2026).

Footnote 6 of this ANPRM acknowledges the existence of two distinct regulatory pathways for prediction markets: the standard DCM/SEF designation pathway, and the staff no-action pathway recognized for academic-purpose markets in CFTC Staff Letter No. 93-66 (Iowa Electronic Markets, 1993) and CFTC Staff Letter No. 14-130 (PredictIt, 2014). The forty questions that follow then proceed as if prediction markets were a single category, never asking whether the nonprofit research subcategory the Commission already recognizes warrants formal codification. This comment fills that gap.

Cassandra's position is that prediction markets are not one category but two: a commercial, consumer-facing, transaction-fee-maximizing submarket; and a nonprofit, research-oriented submarket focused on price discovery for scientific and policy-relevant events. These two submarkets pursue meaningfully different objectives, are shaped by meaningfully different incentive structures, and have meaningfully different public interest implications, and they warrant meaningfully different regulatory treatment. The Commission has been administering precisely this distinction, on a case-by-case basis, for thirty-three years through staff no-action relief. The rulemaking initiated by this ANPRM is the appropriate vehicle for codifying what staff practice has long recognized.

This comment addresses ten of the Commission's forty questions across four arguments. Section I states the two-submarket thesis: the Commission should formally recognize the nonprofit research submarket already acknowledged in footnote 6 and tailor Core Principle application to its distinct character. Section II addresses procedural reform: the 90-day public interest determination clock under CEA § 5c(c)(5)(C)(iv) is meaningful only if "commencement of review" is given an objective definition; the Commission should adopt receipt of a substantively complete application as the trigger. Section III addresses Regulatory Flexibility Act treatment: the Commission's 1982 and 2013 categorical determinations that DCMs and SEFs are not small entities no longer fit the bifurcated applicant pool the Commission itself acknowledges in footnote 10, and should be revisited or, at minimum, supplemented with discrete subcategory analysis under § 603(c). Section IV develops the substantive case: the parallel pathway already exists, has operated for three decades, has produced a substantial empirical record, and warrants codification rather than continued administration through case-by-case staff letters.

I. The Two-Submarket Thesis

Responsive to Question 1: "What factors should the Commission consider in determining whether to provide guidance or amend its regulations regarding how the DCM Core Principles in CEA section 5(d) apply to prediction markets? Are there specific points on which the Commission should provide guidance or adopt rule amendments? Why or why not?"

Cassandra's position: The Commission should formally codify the nonprofit research submarket already acknowledged in footnote 6 of this ANPRM and tailor application of the DCM Core Principles to recognize that submarket's distinct character.

The Commission's own background section to this ANPRM acknowledges, at footnote 6, that the Division of Market Oversight has issued staff no-action positions to two academic institutions — the University of Iowa (CFTC Staff Letter No. 93-66, June 18, 1993) and Victoria University of Wellington (CFTC Staff Letter No. 14-130, October 29, 2014) — providing relief from DCM, SEF, and FBOT registration requirements for the operation of prediction markets offering "political and economic indicator event contracts for academic purposes." The Commission's characterization of those positions describes the relief by reference to the *purpose* of the market (academic) and the *subject matter* of the contracts (political and economic indicators), not by reference to the corporate form of the operator alone. The pathway is purpose-defined.

Footnote 6 is the only place in the ANPRM that recognizes this pathway. The forty questions that follow proceed as if prediction markets were a single category. Question 1 asks how DCM Core Principles should apply to "prediction markets" without distinguishing between commercial and nonprofit research applicants. Questions 7 through 14 address public interest determinations under section 5c(c)(5)(C) without asking whether academic or research purpose is itself a public interest factor. Question 36 asks whether agreements significantly similar to event contracts exist outside the DCM/SEF regime — an implicit reference to the very pathway footnote 6 acknowledges — without naming IEM or PredictIt or asking how that pathway might be codified. The asymmetry between footnote 6 and the question set is the structural gap this comment fills.

Cassandra's thesis is that "prediction markets" is not a single category. It is two:

The commercial submarket consists of for-profit DCMs offering event contracts to retail and institutional traders, with revenue derived from transaction fees, market data sales, and related commercial activities. Participants enter the market for purposes that include speculation, hedging, and entertainment. Subject matter has expanded rapidly since 2021 to include sports, political, economic, cultural, and other event types. Operators include Kalshi, Polymarket (insofar as it operates within CFTC jurisdiction), and Phantom Technologies, among others. Many of these commercial use cases are only ancillary to the research objectives that have driven the scientific community's foundational work on prediction markets — the questions that motivated the field academically (replication of empirical findings, aggregation of dispersed information about uncertain future events, evaluation of expert versus market forecasts) are, in current commercial practice, secondary to the consumer-facing applications that generate transaction volume.

The nonprofit research submarket consists of public-interest operators offering event contracts on political, economic, scientific, geopolitical, and other policy-relevant events for the purpose of generating empirical data on price discovery, forecast accuracy, and information aggregation. The nonprofit submarket is not a *constrained* version of the commercial submarket; it is a *public-interest* version. Nonprofit operators can do everything commercial operators do — and, by virtue of operating without a profit motive, can also offer markets on subject matter that commercial operators cannot ethically support. The geopolitical and intelligence forecasting questions that motivated the Department of Defense's and Intelligence Community's research interest in prediction markets through the IARPA Aggregative Contingent Estimation program (2011–2015) and related initiatives are an example: such questions are not ethically appropriate for commercial prediction market operation, but are appropriate — and have produced substantial published research — when operated in a nonprofit research framework. Operators in this submarket have included the Iowa Electronic Markets (1988–present) and PredictIt (2014–present).

These two submarkets have distinct public interest profiles. The commercial submarket generates the regulatory concerns the ANPRM principally addresses: contracts driven by transaction-volume incentives, subject matter expansion driven by retail demand, and operational decisions shaped by transaction-fee economics. The nonprofit research submarket pursues a different objective — public-interest empirical research on price formation — and its operational decisions are shaped by the operator's mission rather than by transaction-fee incentives. The DCM Core Principles, as currently elaborated, are calibrated for the commercial submarket and its commercial incentive structure. Applying them literally to the nonprofit research submarket would impose compliance costs designed to constrain commercial incentives that do not exist here. At worst, it would foreclose the nonprofit submarket from formal regulatory recognition entirely, leaving it permanently dependent on discretionary case-by-case staff relief.

Cassandra recommends that the Commission, in any subsequent rulemaking, take the following structural approach:

1. **Formally recognize the nonprofit research submarket as a regulatory category**, with eligibility criteria focused on the operator's institutional form and mission: 501(c)(3) or equivalent nonprofit operator; public-interest research mission; commitment to public research output, evidenced by publication policies, data-sharing terms, or institutional research mandate. The criteria should focus on what defines the nonprofit research mission, not on operational constraints (participant caps, position limits, subject-matter restrictions) that have historically appeared in case-by-case no-action relief but should not be required features of a codified regulatory pathway. Nonprofit operators should be permitted to engage in market operation that is at least as broad as commercial operation — and, in subject matter categories where commercial operation raises ethical concerns the nonprofit mission resolves, broader.
2. **Tailor Core Principle application to the nonprofit research submarket**, recognizing that compliance frameworks designed to constrain commercial profit motives — transaction-fee incentives, market data monetization, listing-fee competition — are not appropriately applied without modification to operators whose decisions are driven by research mission rather than commercial economics.

3. **Codify the relief structure currently provided through case-by-case staff letters**, replacing the discretionary administration of the academic-purpose pathway with a defined regulatory framework that operators can plan against and the Commission can administer consistently.

II. Procedural Reform Under CEA § 5c(c)(5)(C)(iv)

Responsive to Question 26: "How should this time limit inform the Commission's procedure for making public interest determinations? Considering this limitation, what steps would be appropriate, or not, for the Commission to take prior to making its determination?"

Cassandra's position: The 90-day public interest determination clock established by CEA section 5c(c)(5)(C)(iv) is meaningful only if "commencement of review" is given an objective definition. Current Commission practice treats commencement as a discretionary internal trigger — the clock begins to run only when staff decide to formally docket and begin substantive review. In the absence of an objective trigger, an indefinite pre-review period swallows the statutory limit, and the procedural protection Congress enacted collapses into unreviewable agency discretion.

The Commission's own experience administering no-action and exemptive requests for prediction markets illustrates the defect. Cassandra Laboratories Foundation, Inc., a 501(c)(3) public charity, submitted a no-action relief request to the Market Participants Division on January 24, 2024. As of the date of this comment, the application has been pending for over 800 days. No docket number has been publicly assigned. No substantive determination has been issued. No public indication exists of formal commencement of review within the meaning of section 5c(c)(5)(C)(iv). By contrast, Phantom Technologies Inc. submitted a no-action request on March 13, 2026; the Division issued CFTC Staff Letter No. 26-09 granting that request four days later, on March 17, 2026. The two timelines — over 800 days for one applicant, four days for another, both directed to the same Division — are not consistent with a process bounded by a 90-day statutory clock. They are, however, fully consistent with current Commission practice, in which the clock runs or does not run at the discretion of staff.

The question is not whether the Commission is capable of acting promptly on no-action and exemptive requests; the Phantom matter demonstrates that it is. The question is whether the statutory framework Congress enacted permits the Commission to indefinitely defer the start of the 90-day clock for some applicants while processing others on a four-day timeline. The plain text of section 5c(c)(5)(C)(iv) does not permit that result.

Three observations frame the appropriate procedural response.

First, the statute uses the phrase "commencement of [the Commission's] review" without defining it. In administrative practice, undefined statutory terms that trigger binding deadlines are typically cured by agency rulemaking or interpretive guidance establishing an objective trigger. The Commission has not done so for section 5c(c)(5)(C)(iv). The result is that "commencement" is functionally identical to "the Commission decides to act," which renders the 90-day limit non-binding in any meaningful sense.

Second, the statute contemplates that the 90-day period may be extended only "if the party seeking to offer the contract or swap agrees to an extension." Congress thus created an explicit mechanism for the Commission to obtain additional time when necessary, conditional on applicant consent. The existence of that mechanism is direct evidence that Congress did not intend the Commission to obtain additional time through the alternative route of declining to commence review at all. If the Commission could indefinitely defer commencement, the consent-based extension provision would be surplusage.

Third, the variation in current outcomes — four days for one applicant, over 800 days for another — is precisely the pattern that an objective trigger would prevent. Either every applicant is entitled to a 90-day determination clock, or no applicant is. The statute speaks in mandatory terms and admits no third category in which some applicants are entitled to the procedural protection while others are not.

Proposed cure

Cassandra recommends that the Commission adopt, by rule or interpretive guidance, the following definition of "commencement of review": **review commences upon the Commission's receipt of a substantively complete no-action request, exemptive request, or DCM designation application, with completeness assessed against published filing requirements.** Once an application is determined complete, the 90-day clock starts. If the Commission requires additional time, it must seek an extension on the terms Congress provided — through applicant consent under section 5c(c)(5)(C)(iv).

This proposal carries three benefits the current practice does not.

Predictability for applicants. An applicant filing a complete request can plan against a defined regulatory timeline. Under current practice, applicants cannot plan and cannot determine when the statutory protection attaches.

Accountability for the Commission. The objective trigger creates an auditable timeline. Internal Commission staff time spent on each application becomes traceable, which is administratively healthy and supports both Commission management and Congressional oversight.

Equal treatment of similarly situated applicants. The current variation in outcomes — illustrated by the contrast between Cassandra's pendency of over 800 days and Phantom's four-day processing — is not consistent with reasoned agency action under the Administrative Procedure Act. An objective trigger eliminates the pre-review-stage discretion that produces these disparities.

Any rulemaking that creates a tailored regulatory pathway for nonprofit research markets is undermined if the procedural mechanism for invoking that pathway is itself indefinitely deferrable. The Commission should treat this question — whether the 90-day clock means what it says — as foundational to the broader rulemaking.

III. Regulatory Flexibility Act Treatment

Responsive to Question 40: "...the Commission is nevertheless seeking information on how any potential rule changes for prediction markets would impact 'small entities' as defined by the RFA. What projected cost increases would there be for any small entities impacted by a potential rule change? What less costly alternatives should the Commission consider? In general, how do small entities use prediction markets?"

Cassandra's position: The Commission's prior categorical determinations that designated contract markets and swap execution facilities are not small entities under the Regulatory Flexibility Act — set forth in 47 Fed. Reg. 18618 (April 30, 1982) and 78 Fed. Reg. 33476, 33548 (June 4, 2013) — were defensible when the registered exchange population was uniformly commercial, but no longer fit the bifurcated applicant pool the Commission itself acknowledges in footnote 10 of this ANPRM. The Commission should revisit those determinations to recognize that nonprofit research applicants are small entities under SBA criteria, or, at minimum, treat nonprofit research applicants as a discrete subcategory and identify less burdensome alternatives under 5 U.S.C. § 603(c).

The Commission's 1982 and 2013 RFA determinations rest on a factual presumption: that the regulated entity is a commercial exchange with traditional revenue models — transaction fees, listing fees, market data sales, member dues — and a sophisticated commercial enterprise by design. That presumption was reasonable when the registered exchange population was uniformly commercial. It does not survive contact with the current applicant pool, which the Commission's own ANPRM describes as having "more than doubled over the past year, largely from entities that are interested primarily, or exclusively, in operating prediction markets," and which includes at least one nonprofit research applicant: Cassandra Laboratories Foundation, Inc.

Cassandra is an illustration of how the categorical determination breaks down. Cassandra is a 501(c)(3) public charity. It generates no commercial revenue. Its annual receipts are funded entirely by charitable contributions and amount to a small fraction of the SBA size threshold for securities and commodity exchanges (NAICS 523210), which the Commission notes at footnote 75 of this ANPRM is $47 million in average annual receipts. Under the SBA size standards the Commission cites, Cassandra qualifies as a small entity. The 1982 determination did not consider nonprofit research applicants because none existed in the registered exchange population at the time. The 2013 determination did not consider them for the same reason. The Commission's footnote 10, acknowledging the recent surge in DCM applications from "entities that have indicated that they are interested primarily, or exclusively, in operating prediction markets," is the Commission's own recognition that the applicant pool has changed.

Cassandra is one applicant, but the broader nonprofit research community — universities, research foundations, civic data organizations, public-interest forecasting institutions — has historically been deterred from formal regulatory engagement precisely because the pathway has remained uncodified. The discretionary, case-by-case nature of staff no-action relief imposes a planning cost that smaller mission-driven institutions cannot absorb. Codifying a defined framework for the nonprofit research submarket would expand the pool of qualifying applicants meaningfully beyond the present moment. The Commission's RFA analysis should account for this prospective applicant population, not only the entities that have been able to navigate the current uncodified pathway.

Cassandra recommends two layered responses.

Primary recommendation: revisit the categorical determinations. The Commission should, in connection with any subsequent rulemaking on prediction markets, reopen the 1982 and 2013 determinations and acknowledge that nonprofit research applicants — operators meeting the criteria identified in Section I of this comment — are small entities for RFA purposes when their financial profile satisfies SBA size standards. The Commission's prior determinations were based on a factual record that does not extend to the current applicant pool. Revisiting them is consistent with the Commission's general obligation to ensure that its regulatory analyses reflect current facts.

Fallback recommendation: discrete subcategory analysis under section 603(c). Even if the Commission declines to revisit its categorical determinations as a general matter, it cannot rely on the 1982 and 2013 determinations to avoid analysis of a subcategory that those determinations did not consider. Section 603(c) of the RFA requires the Commission, in any initial regulatory flexibility analysis, to "describe any significant alternatives to the proposed rule which accomplish the stated objectives of applicable statutes and which minimize any significant economic impact of the proposed rule on small entities." The Commission should treat nonprofit research applicants as a discrete subcategory in any such analysis and identify less burdensome alternatives for that subcategory.

The "less burdensome alternative" analysis the RFA requires is not hypothetical for the nonprofit research submarket. The Commission has been operating one for thirty-three years. The staff no-action positions issued in CFTC Staff Letter No. 93-66 (1993) and CFTC Staff Letter No. 14-130 (2014) are themselves the historical "less burdensome alternative" the RFA contemplates: a tailored framework that permits the operation of nonprofit research event contract markets without the full compliance burden of standard DCM registration. The question is not whether such an alternative is workable. The Commission has demonstrated through three decades of administration that it is. The question is whether the Commission will codify this alternative through rulemaking, providing applicants with a defined regulatory pathway, or continue to administer it on a discretionary case-by-case basis with the inconsistencies that practice has produced.

IV. The Substantive Case for Recognizing the Nonprofit Research Submarket

This Section addresses Question 36 (the anchor question on similar non-DCM/SEF agreements), with supporting analysis of Question 7 (public interest framework), Question 9 (economic purpose test), Question 10 (section 3(a) functions), and Question 11 (section 3(b) fair competition).

A. Question 36 — The parallel pathway exists and is operational

"Are there any agreements, contracts or transactions that are significantly similar to event contracts, but are not listed on a DCM or SEF? If so, how are those agreements, contracts or transactions similar to, or different from, event contracts listed on DCMs and SEFs?"

Yes. The Iowa Electronic Markets (operating since 1988, with formal staff no-action relief since 1993) and PredictIt (operating since 2014) are the most prominent examples. Both offer agreements with binary or limited-outcome payoff structures contingent on the occurrence or non-occurrence of specified events. The contracts traded on these markets are operationally similar to event contracts as the Commission uses the term, except for the formal regulatory classification.

The historical operational characteristics of IEM and PredictIt — participant caps, individual investment limits, subject-matter focus, KYC procedures, and full collateralization — were specified by Commission staff in CFTC Staff Letter No. 93-66 and CFTC Staff Letter No. 14-130 as conditions of staff exercise of enforcement discretion. They are useful historical reference points, but they should not be read as defining features of the nonprofit research submarket. The submarket is defined by the operator's institutional form (nonprofit) and mission (public-interest empirical research), not by any operational constraint historical staff relief has imposed. Codification should permit nonprofit operators to engage in market operation that is at least as broad as commercial operation — and, in some categories of subject matter, broader.

This last point warrants emphasis. Nonprofit research operators are positioned to host markets on subject matter that commercial operators cannot responsibly support. Geopolitical and intelligence forecasting is the clearest example. The Department of Defense and the Intelligence Community have an established, congressionally-funded research interest in prediction markets as a tool for aggregating dispersed expert judgment on national security questions — most prominently through the Intelligence Advanced Research Projects Activity's Aggregative Contingent Estimation program (2011–2015) and related initiatives. The empirical case that prediction markets outperform conventional forecasting on questions of this character has been made with federal research funding and is documented in the resulting literature.

Commercial operator characteristics are not compatible with the operational requirements that intelligence-community and defense use cases impose. Commercial entities are subject to acquisition, change of control, foreign investment, and business-model changes that monetize user data and trading patterns. They retain proprietary positions in market data and have material incentives to publish or share data selectively. None of these characteristics are compatible with the operational requirements of intelligence-community use cases, which require institutional permanence, independence from commercial acquisition, full data transparency, and an operator whose institutional mission aligns with the public research output the program is designed to produce. These are properties of nonprofit research operators, not commercial operators, and they are not properties that contractual arrangements with commercial operators can reliably substitute for.

The result is a structural bottleneck. The federal government has documented, through more than a decade of research funding, a public interest in the existence and continued operation of prediction markets on national security and policy-relevant subject matter. That public interest cannot be served by the commercial submarket for the reasons just described. It can be served by a codified nonprofit research submarket. The absence of a codified pathway is the binding constraint preventing the federal government from re-engaging with prediction markets as a tool for the public purposes its own research has validated.

A regulatory framework that recognizes the nonprofit research submarket should expressly accommodate the broader scope of subject matter that the public-interest research mission permits, and that the public interest in fact requires.

The IEM and PredictIt time series produced over three decades have been cited in hundreds of peer-reviewed academic publications and reused by journalists, policymakers, and researchers — a public-good output that exists because the underlying markets exist. Codification should give the nonprofit research submarket the operational flexibility necessary to fulfill this public-interest mission rather than locking in the historical conditions of case-by-case staff relief.

B. Question 7 — Academic and research purpose as an affirmative public interest factor

"In general, what factors should the Commission consider in making a public interest determination under [section 5c(c)(5)(C)]?"

The Commission's public interest analysis under section 5c(c)(5)(C) has, in practice, focused on the negative public interest categories the statute enumerates: contracts that involve unlawful activity, terrorism, assassination, war, gaming, or other similar activity. This focus is appropriate because section 5c(c)(5)(C) is a prohibition statute — it describes the categories of contracts the Commission *may prohibit*. But the section is embedded in a broader public interest framework defined by sections 3(a) and 3(b), which articulate the affirmative public interests the CEA exists to protect. A complete public interest analysis must consider both: the negative categories Congress identified for potential prohibition, and the affirmative categories that strengthen the case for permitting a contract.

Academic and research purpose is the cleanest example of an affirmative public interest factor. A market operated for the purpose of generating empirical data on price discovery, forecast accuracy, and information aggregation produces a public good — knowledge — that does not exist in the absence of such a market. The IEM time series, the PredictIt time series, and the academic literature derived from both, are public goods that have informed scholarship in economics, political science, and decision theory for thirty-three years. Markets operated for research purposes contribute to the public interest in ways that commercial markets, by virtue of their incentive structure, cannot replicate.

The Commission's footnote 6 is the institution's own implicit acknowledgment of this asymmetry. The staff no-action positions issued to academic institutions exist because the Commission recognized that academic-purpose markets serve a public interest that warranted staff exercise of enforcement discretion. The next step — formalizing that recognition in the public interest framework articulated in section 5c(c)(5)(C) — is overdue.

Cassandra recommends that the Commission, in any guidance or rulemaking on the section 5c(c)(5)(C) public interest determination, expressly recognize academic and research purpose as an affirmative public interest factor and articulate the criteria under which contracts falling within that purpose should be evaluated.

C. Question 9 — Research as a distinct economic purpose

"Are there any elements of the former 'economic purpose' test that should or should not be applied in the Commission's public interest determination under CEA section 5c(c)(5)(C)?"

Research is a distinct economic purpose category, and the Commission's revived consideration of the economic purpose framework should expressly recognize it.

The pre-2000 economic purpose test was concerned principally with whether a contract served a legitimate hedging or price discovery function for participants in the underlying physical or financial market. Those concerns remain valid and continue to operate within the section 3(a) public interest framework. But a contract may serve an economic purpose distinct from hedging the underlying — namely, the production of empirical data on price formation itself — and this purpose is no less legitimate for being academic rather than commercial.

The defining features of research as an economic purpose are two:

Non-rival output. The output of a research-purpose market is empirical data. That data is non-rival: its consumption by one researcher does not diminish its availability to another. This distinguishes research from commercial speculation, which produces private profit, and from entertainment, which produces private satisfaction. Non-rival public-good outputs warrant regulatory treatment that recognizes the distinct character of the production process.

Verifiable knowledge artifacts. Research-purpose markets generate outputs that can be evaluated against external criteria — published findings, replicated results, forecast accuracy measurements. Commercial speculation does not generate comparable verifiable artifacts; entertainment does not generate them at all. A regulatory framework that distinguishes research-purpose markets from other categories has a defensible epistemological basis.

A revived economic purpose framework that recognizes research as a distinct category provides the doctrinal vehicle for the two-submarket thesis. The Commission can articulate that contracts serving a research economic purpose are eligible for a tailored regulatory pathway distinct from the framework applicable to commercial markets.

D. Question 10 — Event contracts and the section 3(a) public interest functions

"What role do event contracts play in 'managing and assuming price risks, discovering prices, or disseminating pricing information' as contemplated by CEA section 3(a)?"

Event contracts perform all three functions identified in section 3(a), and the academic literature demonstrates that they perform them with measurable effectiveness across multiple categories of underlying event.

Managing and assuming price risks. Event contracts provide hedging instruments for risks that lack traditional financial counterparts. Climate-contingent contracts permit hedging of weather-related operational risk. Election-contingent contracts permit hedging of policy-contingent business risk. Macroeconomic indicator contracts permit hedging of monetary policy uncertainty in a more direct manner than instruments derived from interest rate or currency markets. The novel hedging utility of event contracts is one of the principal economic justifications for their regulatory accommodation.

Discovering prices. The empirical literature establishes that academic prediction market prices have outperformed both polls and individual expert forecasts on accuracy, particularly for elections. The Iowa Electronic Markets' presidential election forecasts have been the subject of academic study since 1988; the literature documenting their accuracy relative to alternatives is substantial. The empirical record from the existing nonprofit research submarket is the strongest available evidence that event contracts, properly structured, perform the price discovery function the CEA section 3(a) public interest framework expressly contemplates.

Disseminating pricing information. The publicly available time series produced by IEM and PredictIt is reused by academic researchers, journalists, news organizations, and policymakers. The dissemination function operates not only through the contract prices themselves but through the derivative information products built on top of them. This dissemination function is a public good that exists because the underlying markets exist.

The Commission should incorporate these section 3(a) functions into its public interest determination under section 5c(c)(5)(C) by recognizing that contracts serving them warrant treatment that reflects their public benefit. The continued vitality of the nonprofit research submarket — and the continued production of public-good price discovery data — depends on a regulatory framework that recognizes its distinct character.

E. Question 11 — Section 3(b) fair competition and the regulatory architecture

"What factors should the Commission consider in its effort to fulfill these purposes [under section 3(b)] with respect to prediction markets? Is there any potential conflict between these purposes, and if so, how should they be balanced?"

Section 3(b) of the Commodity Exchange Act articulates the purposes of the Act, including "to promote responsible innovation and fair competition among [DCMs], other markets and market participants." The fair competition purpose has a specific application here: a regulatory architecture that systematically forecloses non-commercial market models from formal recognition, and requires those models to operate indefinitely under discretionary case-by-case staff relief, is not consistent with fair competition as section 3(b) uses the term.

The Iowa Electronic Markets and PredictIt operate under staff no-action relief precisely because the standard DCM registration framework is calibrated to commercial operating models — frameworks designed around the incentive structures of for-profit operators with revenue derived from transaction fees and market data sales. Compliance requirements designed to constrain commercial profit motives are not appropriately calibrated to nonprofit operators whose decisions are

driven by research mission rather than transaction-volume economics. Case-by-case staff relief has been the only mechanism that has prevented the categorical exclusion of the nonprofit research submarket from the regulated derivatives space.

This is not a fair competition outcome. The current architecture grants commercial DCMs a stable, codified regulatory pathway and the planning certainty that comes with it, while requiring nonprofit research operators to depend indefinitely on discretionary relief that the Commission may modify or revoke. Both submarkets serve the affirmative public interests articulated in section 3(a). The Core Principles in section 5(d) are the implementing mechanism for those interests; their operational requirements should be calibrated to the distinct incentive structure of each submarket. The unequal regulatory treatment is a function of the Commission's failure to codify a framework calibrated to the nonprofit submarket's distinct incentive structure, not a function of any inherent difference in the regulatory concerns the two submarkets present.

Section 3(b) does not require the Commission to apply identical regulations to commercial and nonprofit research markets; it requires the Commission to fulfill the public interests articulated in section 3(a) in a manner consistent with fair competition. Codifying a tailored framework for the nonprofit research submarket — formal regulatory recognition under defined criteria, with Core Principle obligations calibrated to the submarket's distinct character — is what section 3(b) fair competition requires in this context.

The potential conflict the Commission's question identifies — between innovation, fair competition, and the other section 3(b) purposes — does not arise from recognizing the nonprofit research submarket. It arises from refusing to. Granting regulatory parity to nonprofit research operators advances responsible innovation by removing the discretionary uncertainty under which existing operators have functioned for three decades, advances fair competition by codifying a framework rather than maintaining unequal access to the regulated derivatives space, and advances the protection-of-market-participants purpose by replacing case-by-case staff letters with publicly available rules.

V. Conclusion

Footnote 6 of this ANPRM is the Commission's own acknowledgment that a distinct nonprofit research pathway exists, has operated for thirty-three years, and has been administered through case-by-case staff relief. The rulemaking initiated by this ANPRM is the appropriate vehicle for codifying that pathway — with an objective definition of "commencement of review" under § 5c(c)(5)(C)(iv), recognition of nonprofit research applicants as small entities under the RFA or, at minimum, discrete subcategory analysis under § 603(c), and Core Principle obligations calibrated to the nonprofit research submarket's distinct mission rather than to commercial operating models.