Governor's Square, 23 Lime Tree Bay Avenue
Grand Cayman, KY1-1002, Cayman Islands
legal@risklabs.co
risklabs.co

# RISK LABS

***Submitted Electronically***

April 30, 2026

Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**Re: Advance Notice of Proposed Rulemaking, Prediction Markets, RIN 3038-AF65, 91 Fed. Reg. 12516 (March 16, 2026)**[1]

Dear Mr. Kirkpatrick:

The Risk Labs Foundation ("Risk Labs") appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (the "Commission" or "CFTC") regarding the Advance Notice of Proposed Rulemaking on Prediction Markets (the "ANPRM").

Risk Labs develops and supports UMA, an oracle protocol that has served as the primary resolution infrastructure for Polymarket's international (non-U.S.) event contracts since 2022.[2] Risk Labs and its affiliates do not operate a designated contract market ("DCM"), derivatives clearing organization ("DCO"), futures commission merchant ("FCM"), swap execution facility ("SEF"), or sports-betting platform. We disclose at the outset that Risk Labs has a commercial interest in the Commission's treatment of event-contract resolution as a function that can be performed by independent infrastructure. The recommendations below are technology and vendor neutral. Nothing in this comment asks the Commission to mandate UMA or any other specific product, protocol, vendor, or architecture.

This comment responds principally to Questions 1, 2(b), 2(c), 2(d), 2(h), and 4 of the ANPRM. It focuses on event-contract resolution: the process by which the occurrence, non-occurrence, extent of the occurrence, or result of an event is determined for settlement.

---

[1] Commodity Futures Trading Commission, *Prediction Markets*, Advance Notice of Proposed Rulemaking, RIN 3038-AF65, 91 Fed. Reg. 12516 (Mar. 16, 2026), https://www.federalregister.gov/documents/2026/03/16/2026-05105/prediction-markets.

[2] See Polymarket Documentation, "Resolution," https://docs.polymarket.com/concepts/resolution; UMA Documentation, https://docs.uma.xyz.

## Summary of recommendation

Event contracts present distinct settlement-integrity issues. Their settlement turns on external real-world facts that often require interpretation, source selection, and evidentiary review rather than objective computation against a published price or index. The current architecture that works well for many traditional cash-settled derivatives—the trading venue itself applying a mechanical settlement reference—is well-suited to genuinely ministerial event-contract settlements but is not, by itself, sufficient where settlement requires judgment.

Because of these considerations, we would recommend that the Commission require every event contract to specify two resolution paths as a condition to the commencement of trading:

- **a ministerial source path** for contracts where a pre-specified source can make a settlement determination clearly and completely without material judgment; and
- **an independent non-ministerial path** for contracts where settlement requires interpretation, material judgment, source selection, evidentiary review, or resolution of a qualifying pre-finality dispute.

These should be understood as resolution paths, not broad categories of contracts. A contract should not be exempt from independent resolution merely because it identifies an official or objective-looking source. In practice, sources may be delayed, corrected, internally inconsistent, inconsistent with what the contract specifies, or incomplete, and contract terms that appear objective at listing may also require interpretation once facts develop.

A DCM or SEF should be permitted to administer settlement when the specified source resolves the contract mechanically and no qualifying pre-finality dispute is raised. If the source does not answer the question, if the rules require interpretation, or if a participant raises a qualifying dispute before finality, the binding determination should move to an independent, pre-determined resolution process. This approach avoids unnecessary cost for truly ministerial settlements while recognizing the reality that many events underlying many event contracts may not be determinable in an objective, undisputed manner such that resolution becomes non-ministerial in application.

CFTC-regulated credit default swap ("CDS") clearing rules already reflect an informative structural model for the non-ministerial path: reliance on the International Swaps and Derivatives Association ("ISDA") Credit Derivatives Determinations Committees (each, a "DC") for covered credit-event determinations, with a residual clearinghouse process where the DC process does not determine the question. The same architectural logic should apply, with appropriate adjustments to take into account the unique characteristics of event contracts, to the non-ministerial path for event contracts.

## I. Event-contract resolution is a settlement-integrity function

The ANPRM correctly treats resolution criteria and disputed trigger events as core market-structure issues. Question 2(b) asks what factors the Commission should consider regarding DCM rules for event-contract resolution criteria, what should happen when a trigger event is

disputed, whether CDS dispute procedures are useful precedents, and what considerations under Core Principle 14 are relevant.[3]

Resolution is not a customer-service function. For an event contract, resolution determines final settlement payouts. If that determination is unclear, discretionary, delayed, or inconsistent, the result can affect every open position in the market.

The concern is not that DCMs are generally partial or unable to administer settlements. DCMs are regulated, supervised, and do not themselves trade the contracts they list,[4] and the Commission has long regarded them as neutral arbiters in U.S. derivatives markets. Rather, the regulatory architecture for event contract resolution that we propose derives from features specific to event contracts:

- **Resolution requires interpretation of external real-world facts.** Many traditional cash-settled derivatives resolve to a published price, an index value, or an objective reference rate, with settlement that is largely computational. Event contracts often resolve by interpretation of external facts—whether a particular event occurred, whether a public official took a particular action, whether a measurement crossed a particular threshold—that can turn on complex, judgment-based interpretive questions, which can be subject to significantly different views. In those cases, the function is adjudicative in character, not arithmetic.
- **Event contracts are often susceptible to ambiguity in resolution.** Close calls, conflicting data sources, post-event corrections, and definitional questions about whether a stated trigger has been satisfied are more common in event-contract resolution than in many purely price- or index-based contracts. A specified source may be reliable in ordinary cases and still fail in a particular case because the data is wrong, late, corrected, ambiguous, or incomplete. This is an inherent aspect of many event contracts, given the types of events that they reference, not a criticism of any individual venue's diligence.
- **Event contracts frequently reference external counterparties with interests in the outcome of the events, who are not themselves CFTC-regulated, giving rise to potential conflicts.** Sports leagues whose games and rule decisions often resolve sports markets, media organizations whose data feeds and broadcasts inform political and economic markets, data providers whose published numbers determine settlement of macro contracts, and political organizations and individuals whose actions may determine political markets may have their own commercial or other interests in resolution outcomes that could lead to certain biases, consciously or unconsciously, in the determinations they make. Where these counterparties hold partnership relationships with the listing venue—sponsorships, exclusive data deals, integrity arrangements—they are nonetheless typically not subject to the conflicts-of-interest, recordkeeping, or supervisory regimes that apply to DCMs. This is a distinguishing feature of event contracts: the substantive conflict can sit one step removed from the DCM, in commercial counterparties and other external institutions that are outside the Commission's regulatory regime but nonetheless have influential roles in determining resolution

[3] *Prediction Markets*, 91 Fed. Reg. at 12519.

[4] 17 C.F.R. § 1.59(b)(i).

outcomes. Resolution by an entity bound by its own published criteria, structurally separate from the listing venue's commercial relationships, addresses this issue in a way that DCM neutrality alone does not.

Together, these features warrant a settlement architecture designed to accommodate the unique features of event contracts. The Commission's existing framework for many cash-settled derivatives rests on pre-specified, objectively measurable settlement references and settlement processes that are largely computational. That premise transfers cleanly only to event contracts for which resolution is genuinely ministerial and is rarely, if ever, disputed. Where this is not the case, additional architecture is needed.

The existing Core Principles support this distinction. Core Principles 2, 3, 4, and 12 require DCMs to enforce contract terms, prevent manipulation and disruptions of cash settlement, and protect markets and participants. Core Principles 18 and 20 require records and operational controls sufficient for Commission oversight of settlement processes. Core Principle 14 supports a practical pre-finality challenge process, although Risk Labs does not suggest that it independently requires a separate arbitration forum for every settlement question. Core Principle 16 is relevant to conflict controls for resolvers, data providers, commercial partners, and persons with access to material non-public information.[5]

## II. Source governance is necessary but not sufficient

Part 38 Appendix C recognizes that cash-settled and non-price-based contracts require careful attention to settlement sources and methodology. For cash-settled swap contracts, Appendix C directs DCMs to ensure the reference price is not readily susceptible to manipulation, the reliability of the cash-settlement price, the public availability and timeliness of the price series, and safeguards used by independent third-party providers.[6] For non-price-based futures contracts that rely on third-party data, Appendix C directs DCMs to consider the nature and sources of the data, computational procedures, and mechanisms used to ensure accuracy and reliability.[7]

The Division of Market Oversight's March 12, 2026 *Prediction Markets Advisory* applies those concepts to event contracts. The advisory states that DCMs should consider third-party safeguards against unauthorized or premature release of settlement data and should continue to consider transparency, accuracy, reliability, and impartiality when evaluating novel contracts.[8] It also states that product submissions should identify specific settlement data sources and assess the reliability, objectivity, and manipulation resistance of those sources, and cautions that a contract that settles based on a consensus of yet-to-be-determined sources may not satisfy Core Principle 3.[9]

---

[5] 17 C.F.R. §§ 38.200 (CP2), 38.250 (CP3), 38.650–.651 (CP12), 38.750–.751 (CP14), 38.850 (CP16), 38.950 (CP18), 38.1050 (CP20).

[6] 17 C.F.R. Appendix C to Part 38(g).

[7] 17 C.F.R. Appendix C to Part 38(f).

[8] Staff Advisory No. 26-08 at 4 (referencing the "principles of the Appendix C Guidance around transparency, accuracy, reliability, and impartiality when evaluating novel contracts").

[9] Staff Advisory No. 26-08 at 5 n.26.

The Commission should build on this approach. Specifying sources is necessary, but it does not eliminate the need for a non-ministerial backstop. A settlement source may be reliable in ordinary cases and still fail in a particular case because the data is wrong, late, corrected, ambiguous, or incomplete. Contract terms that look objective at listing may, in application, require judgment beyond the source itself. The rules should therefore specify not only the source, but also the process that applies when the application of that source ceases to be ministerial.

## III. Recommended framework

The relevant distinction is procedural: whether settlement can be completed by ministerial source application or whether the settlement question requires judgment.

### *A. Ministerial source path*

The ministerial path should be narrow. It should apply only when the contract's pre-specified source or source hierarchy answers the settlement question without material judgment and no qualifying pre-finality challenge is raised. In that circumstance, the DCM or SEF should be permitted to administer settlement under its rules.

The product submission should identify the source or source hierarchy, observation time, correction rule, fallback rule, and records to be maintained. The DCM or SEF should publish a proposed resolution before final settlement and allow a short window for participants to identify qualifying source or application errors.

The threshold for escalation should be procedural rather than merits-based: a challenge should qualify if it is timely, identifies a source failure or interpretive issue under the contract's listed rules, includes supporting evidence, and satisfies any reasonable fee, bond, or good-faith requirement.

The ministerial path is not a broad safe harbor for all contracts that reference official data. If the source is unavailable, delayed, corrected, internally inconsistent, inconsistent with another specified source, or incomplete, or if applying the contract terms requires interpretation, the matter should move to the non-ministerial path. The same should occur when a participant raises a qualifying pre-finality challenge asserting that the proposed resolution cannot be completed by mechanical source application.

### *B. Independent non-ministerial path*

The non-ministerial path should apply when determination of final settlement requires judgment. This includes interpretation of ambiguous contract language, selection among competing sources, application of fallback criteria, uncertain event outcomes, evaluation of disputed evidence, treatment of corrected or erroneous data, or determination of facts not conclusively established by a specified source.

For those cases, the binding resolution should be made through an independent, pre-determined process. The process should include the following elements:

***Independence and conflict controls***

- an independent resolver, committee, protocol, or other resolution mechanism identified before trading begins;

- policies reasonably designed to ensure that the resolver is not controlled by the listing venue, an affiliate, or an outcome-interested commercial partner;
- policies prohibiting or managing positions by the resolver or its staff in the contracts being resolved, material conflicts of interest, improper use of non-public information, and improper ex parte communications;

***Process and dispute access***

- notice of the proposed resolution before final settlement;
- a defined and time-limited window for market participants to challenge the proposed resolution and submit evidence;
- reasonable procedures to deter frivolous disputes, including fees, bonds, or good-faith certification where appropriate;

***Reasoned outcome and oversight***

- a final determination that identifies the evidence considered, the rule applied, and the basis for the outcome;
- deadlines that preserve settlement finality and avoid unnecessary delay; and
- records available to the Commission on request.

The DCM or SEF should remain responsible for supervising the quality and effectiveness of the resolution process and for applying its rules and procedures. This is consistent with the Part 38 approach to third-party regulatory services: a DCM may use third-party services, but remains responsible for compliance with the Act, Commission regulations, and the performance of services received on its behalf.[10]

Official data may still be central to the non-ministerial path. A sports league, court, regulator, government agency, exchange, or other official body may provide relevant evidence or a primary source. The point is not to reject official data. The point is to specify what happens when the official data does not answer the settlement question or when the contract terms require judgment beyond the source itself.

## IV. The CDS Determinations Committee architecture is a useful precedent for non-ministerial resolution

Question 2(b) of the ANPRM expressly invites comparison to dispute resolution procedures for credit default swaps. The relevant point is not that DCMs or DCOs are conflicted with respect to CDS or any other types of products. The relevant point is that event-driven derivatives can benefit from standardized determination architecture when settlement depends on whether an external event occurred—and that CFTC-regulated clearing rules already incorporate analogous architecture.

[10] 17 C.F.R. § 38.154 (DCM use of third-party services; DCM remains responsible for compliance with the Act, Commission regulations, and the performance of services received on its behalf).

A CDS pays out on the occurrence of a credit event (typically a bankruptcy, failure to pay, or restructuring affecting the reference entity). Whether such an event has occurred can require factual review and contract interpretation. Following the financial crisis, ISDA developed the Credit Derivatives Determinations Committees as the centralized mechanism for making these determinations. ISDA describes the DCs as "a centralized decision-making body to enable a standardized auction settlement process and ensure central clearing could be implemented for CDS."[11] A single, industry-wide determination on whether a credit event has occurred makes centrally cleared CDS easier to administer and reduces inconsistent settlement outcomes across market participants.

CFTC-regulated CDS clearing already incorporates that structural approach. CME's CDS rules recognize ISDA DC determinations as binding for covered questions and preserve a residual CME process where the DC process does not determine the question.[12] The reason for reliance on the ISDA DC process is functional: credit-event determinations require specialized legal and credit expertise, standardization across markets is important for clearing, and the determination is often adjudicative rather than computational. The lesson for event contracts is the same. The case for an independent non-ministerial path does not depend on any claim that DCMs or DCOs are partial. It rests on the same functional reasoning reflected in the CDS framework: certain settlement determinations are adjudicative and benefit from specialized, rules-based, independent resolution.

The DC architecture itself has four features that map onto the structural needs of an independent non-ministerial path:[13]

- **No single party controls determinations.** The DC architecture implements this through multi-firm composition—each DC includes multiple dealer and non-dealer firms—but the structural requirement is that determinations not be controlled by any single

[11] International Swaps and Derivatives Association, "ISDA Publishes Governance Committee Proposal for CDS Determinations Committees" (May 8, 2025), https://www.isda.org/2025/05/08/isda-publishes-governance-committee-proposal-for-cds-determinations-committees/.

[12] See Chicago Mercantile Exchange Inc., Rule Self-Certification, CME Submission No. 09-311 (Nov. 12, 2009) (establishing CME Chapters 800–805 governing CDS clearing and incorporating the Credit Derivatives Determinations Committees Rules), https://www.cftc.gov/sites/default/files/stellent/groups/public/@rulesandproducts/documents/ifdocs/rul121109cme002.pdf; CME Group, "CME Group Announces Dealer Founding Members for CDS Initiative" (describing CME's CDS clearing solution as built on "the incorporation of ISDA Credit Derivatives definitions, adherence to decisions of the ISDA Determinations Committee and cash settlement to the ISDA auction settlement price"), https://investor.cmegroup.com/static-files/1ec5b6f7-13f5-4ca2-b2f0-8d58ab7af342.

[13] 2018 ISDA Credit Derivatives Determinations Committees Rules (published Sept. 28, 2018, as subsequently amended), available at https://www.cdsdeterminationscommittees.org. The current Rules establish the composition of the Determinations Committees, the supermajority voting requirement, the External Review process, and the publication of determinations.

counterparty or by the listing or trading venue. Other architectures, including expert panels, structured protocols, or decentralized determination mechanisms, can satisfy the same principle.

- **Defined rules and published criteria.** Determinations follow the published DC Rules and the applicable Credit Derivatives Definitions. Market participants can submit credit-event questions; the DC evaluates the evidence under the applicable definitions.
- **Supermajority voting with external review as a safety valve.** Where a DC reaches an 80% supermajority, the determination is binding. Where it cannot, the question proceeds to an External Review Panel of independent reviewers whose determination is final. This dispute-before-finality architecture is a useful reference point for Question 2(b).
- **Public record of determinations.** DC and External Review decisions are published with their evidentiary basis and reasoning, creating an audit trail consistent with the recordkeeping objectives applicable to other CFTC-regulated functions.

The architecture has handled contested determinations. For example, in December 2025, an External Review Panel resolved whether a Restructuring Credit Event had occurred with respect to Ardagh Packaging Finance plc after a split DC referred the question for external review. The panel decided, with reasons, and the determination affected approximately $3.5 billion in gross notional across roughly 1,100 outstanding contracts.[14] This is the dispute path working as designed: a hard interpretive question, on contested external facts, can be resolved by an independent panel whose decision is binding on the market.

Prediction markets are not CDS markets. They may involve retail participation, smaller contracts, more heterogeneous subject matter, and faster resolution cycles. The Commission should not import the CDS framework wholesale, and the non-ministerial path proposed in Section III above is not the DC architecture replicated unchanged. But the basic structural elements—pre-stated definitions, a process for submitting a resolution question, specialized and independent review when judgment is required, a path for contested determinations, and a published or regulator-accessible record—are directly relevant. The CDS arrangement establishes that this architecture is workable, scalable, and consistent with the Commission's oversight responsibilities. It is the natural reference point for the non-ministerial path proposed in this comment.

## V. Application to DCMs, SEFs, and blockchain-based markets

The same resolution principles should apply to DCMs and SEFs, adjusted for participant type and market structure. Retail access on DCMs makes clear, reviewable settlement procedures especially important. SEF participants are eligible contract participants, but larger contract sizes

[14] See Jones Day, "Important Guidance on Restructuring Credit Event Triggers Under ISDA Definitions" (Dec. 18, 2025), describing the External Review Panel's December 15, 2025 determination on Ardagh Packaging Finance plc, addressing whether a Restructuring Credit Event had occurred and affecting an estimated $3.5 billion gross notional across approximately 1,100 outstanding contracts, https://www.jonesday.com/en/insights/2025/12/important-guidance-on-restructuring-credit-event-triggers-under-isda-definitions.

may increase the market impact of disputed resolution.[15] In both contexts, the relevant question is whether settlement can be completed ministerially or requires judgment.

The same functional approach should apply to blockchain-based prediction markets within the Commission's jurisdiction (ANPRM Question 2(h)). A blockchain settlement layer does not by itself answer the regulatory question. The Commission should ask whether the resolution source is specified, whether the process is independent when judgment is required, whether participants can challenge a proposed resolution before finality, and whether records are available for oversight. The expertise-and-architecture analysis is the same regardless of implementation layer.

## VI. Cost-benefit and competition considerations

This framework would reduce costs compared with a single mandatory independent-resolution requirement for every settlement. DCMs and SEFs could administer truly ministerial settlements. Independent resolution would be required when the settlement question requires judgment or when a qualifying pre-finality challenge shows that source application is not mechanical.

The framework should be technology and vendor neutral. The standard should define required attributes of the resolution process, not prescribe the identity, legal form, technology, governance model, or commercial structure of the resolver. A DCM or SEF should be able to use any resolver, committee, data provider, protocol, or other mechanism that satisfies the Commission's standards for independence, capacity, timing, conflict controls, recordkeeping, and reviewability. The Commission should not require use of any particular vendor, including Risk Labs or UMA.

The framework should also avoid unnecessary barriers to entry. The Commission can require DCMs and SEFs to describe the applicable resolution paths and challenge procedures in product submissions under Regulations 40.2 and 40.3,[16] without creating a new registered-entity category.

The benefits are practical. Clear source rules reduce avoidable disputes. A short pre-finality challenge window allows errors to be identified before settlement. Independent resolution for non-ministerial cases reduces uncertainty where source application fails. Regulator-accessible records allow the Commission to reconstruct contested outcomes and assess whether the contract remains consistent with the Core Principles. The cost analysis under CEA section 15(a)[17] should account for the systemic costs of unaddressed resolution failures—participant losses, enforcement actions, and state-level intervention—not just the direct compliance costs of the rule.

## VII. Conclusion

Event-contract resolution should be treated as a settlement-integrity function. Every event contract should identify a ministerial source path and an independent non-ministerial path before trading begins. The ministerial path should be available only when a specified source resolves

[15] See CEA § 5h, 7 U.S.C. § 7b-3 (SEF Core Principles).

[16] 17 C.F.R. §§ 40.2, 40.3 (product self-certification and approval requirements).

[17] CEA § 15(a), 7 U.S.C. § 19(a).

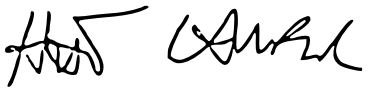
the contract mechanically and no qualifying pre-finality challenge is raised. The non-ministerial path should apply when settlement requires judgment, including where data is conflicting, corrected, incomplete, or disputed.

The CFTC-regulated CDS clearing framework already incorporates the relevant structural elements. The CDS Determinations Committee architecture, used for covered credit-event determinations in cleared CDS, demonstrates that specialized, independent, rules-based resolution—with a defined external-review path and published determinations—is workable, scalable, and consistent with CFTC oversight. The non-ministerial path proposed here applies that approach, calibrated for event contracts.

This approach is consistent with the ANPRM, the DMO Prediction Markets Advisory, Part 38 Appendix C, and the existing DCM Core Principles. It preserves DCM and SEF responsibility, limits costs for truly ministerial settlements, and provides a practical standard for contracts that require judgment.

We thank the Commission for the opportunity to comment and would be pleased to discuss these recommendations.

Respectfully submitted,



Hart Lambur
Director
Risk Labs Foundation
hart@risklabs.co