Submitted Electronically via CFTC Comments Portal

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1155 21st street, NW
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April 30, 2026

Re: Prediction Markets Advanced Notice of Proposed Rulemaking (RIN 3038–AF65)

Mr. Kirkpatrick,

The Digital Chamber ("TDC") writes in strong support of the Commodity Futures Trading Commission ("Commission")'s consideration of developing a coherent framework for event contracts that address classification, listing standards, settlement procedures, surveillance expectations, and consumer disclosures. Clear, tailored rules will reduce much of the ongoing ambiguity in these markets, reinforce the Commission's exclusive jurisdiction to regulate such markets under the Commodity Exchange Act (the "CEA"), strengthen consumer protections, and support the responsible development of a historically important and economically valuable segment of U.S. financial markets.

The Commission's Advanced Notice of Proposed Rulemaking is an important step in developing an appropriate framework for these federally regulated financial markets to operate effectively and deliver value to both businesses and American investors.

Prediction markets represent a longstanding and economically valuable form of derivatives activity, increasingly supported by modern technologies that enhance transparency, market integrity, and operational efficiency. As these markets continue to grow, they require new and tailored rules and regulations, in addition to guidance on how existing statutory and regulatory frameworks should be applied in a manner that reflects their unique characteristics while preserving the core objectives of the CEA.

As a part of the Commission's consideration as to what rulemaking and guidance is needed, TDC urges the Commission to remove structural impediments to liquidity, provide clear guidance on the application of existing rules, define the scope of its jurisdiction relative to state gaming regimes, and pursue targeted rulemaking only where necessary to resolve discrete areas of uncertainty. At the same time, the Commission should ensure that its framework accommodates technological innovation, including blockchain-enabled market infrastructure, and promotes uniformity in market design, access, and information transparency.

Doing so will ensure that financial market innovations remain primarily based in the United States, overseen against fraud and abuse by U.S. financial regulators, and through a nationally applicable framework which provides clarity and protections for investors and other market participants.

Background

Formed in 2014, TDC is the oldest and largest digital asset and blockchain trade association in the United States, representing more than 250 companies across the innovation ecosystem. For over a decade, TDC has tirelessly advocated for innovative technology developers as America works to adapt legislation and refine regulations addressing new and emerging technologies.

As provided for in our letter to Commission Chair Michael Selig on February 17, 2026,[1] TDC views prediction markets as a historically important and economically valuable segment of U.S. financial markets. These markets are increasingly reliant on blockchain-enabled technologies to support the market integrity, supervision, and settlement finality speed that prediction markets need to truly thrive.

While courts are increasingly recognizing the Commission's exclusive jurisdiction to regulate event-based derivatives on national exchanges,[2] there is a need for both formal rulemaking and informal guidance from the Commission on various areas, much of which the Commission has asked for insight on in its recent Advanced Notice of Proposed Rulemaking Relating to Prediction Markets (the "ANPRM"). As provided in the TDC Prediction Markets Working Group's foundational framework, "[o]ur work is focused on bringing a deep technical and legal understanding of how these markets operate and are regulated."[3] To that end, TDC has prepared the following responses for the Commission's consideration as it works towards creation of bespoke rules for event contract markets which both foster innovation and advance consumer protection goals.

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[1] Letter from The Digital Chamber to Michael S. Selig, Chairman, Commodity Futures Trading Comm'n (Feb. 17, 2026), *available at* https://digitalchamber.wpenginepowered.com/wp-content/uploads/2026/02/TDC-Prediction-Market-Support-Letter-2.17.26-.pdf

[2] *See, e.g., KalshiEX LLC v. Flaherty*, No. 25-1922, slip op. (3d Cir. Apr. 6, 2026) (finding CFTC-registered designated contract markets met is burden for preliminary injunctive relief to foreclose state gaming regulators from imposing contradictory regulatory requirements on a nationally registered exchange). TDC applauds the efforts of the Commission in this area and supports the Commission affirmatively litigating against improper state regulatory overreach into what was designed by Congress to be markets operated on a national scale and exclusively regulated by the Commission.

[3] The Digital Chamber, *TDC Prediction Markets Working Group Framework for Responsible Prediction Markets* (2026), *available at* https://digitalchamber.org/tdc-prediction-markets-working-group-framework-for-responsible-prediction-markets/

Improving Liquidity for Prediction Markets Through Changes to Cleared Swaps Rules[4]

Before reaching the substantive questions raised by the Commission in its ANPRM, it is important that the Commission assess the swap-dealer framework under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") which serves as an obstacle to liquidity provision in swap markets. As event contract markets are largely structured as swaps, this framework without modification would continue to be a challenge in obtaining the liquidity truly needed to hedge event-outcome exposure in a meaningful way.

Title VII of Dodd-Frank[5] was designed to pull the (at the time) opaque, bilateral OTC derivatives market into a more transparent, risk-managed framework after the 2008 financial crisis. The core policy problem it addressed was the counterparty credit risk embedded in bespoke, uncleared swaps between large financial institutions. The "swap dealer" regime is the mechanism Congress chose to regulate the intermediaries where that risk was concentrated.[6]

That concentrated risk concern is negated by the functionalities of standardized event contracts, which are almost entirely made up of cleared products trading on transparent venues. But despite that risk not being present in transparent event contract markets, activity in such products still counts towards swap-dealer *de minimis* thresholds. This treatment may result in U.S. firms being discouraged from providing liquidity in Commission-regulated and transparent venues, shifting activities towards foreign or less constrained venues. This has obvious negative consequences for U.S. regulated markets, widening spreads, suppressing display depth, and preventing U.S. markets from reaching their full liquidity potential.

Activity in cleared swaps in all asset classes, including prediction markets, does not present any additional risk in comparison to cleared futures, and the CFTC has no concept of futures dealers. Therefore, this activity should not count towards swap-dealer *de minimis* thresholds. By clarifying that point, whether through rulemaking, interpretation, or exemptive relief, the Commission can create a more competitive environment for these types of financial products to grow out of the United States.[7] Such a fix would improve liquidity on regulated venues and provide a sounder foundation for rulemaking on broader prediction-market issues.

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[4] Note that TDC has structured this comment letter based on topics rather than question-by-question responses to the Commission's proposal. For ease of reference, TDC has included the questions which each of the topics is responsive to in the footnotes, and TDC would be happy to provide further details if helpful to Commission staff as they seek to organize the responses and implement those into guidance or rulemaking as appropriate. This section is responsive to ANPRM Questions 1, 5a, 33, and 38.

[5] *Dodd-Frank Wall Street Reform and Consumer Protection Act*, Pub. L. No. 111-203, tit. VII, 124 Stat. 1376, 1641–1802 (2010).

[6] *See* U.S. Dep't of the Treasury, *Financial Regulatory Reform: A New Foundation—Rebuilding Financial Supervision and Regulation* (June 17, 2009).

[7] Similarly, the Commission should use these markets to assess a new risk management framework for this class of fully collateralized products which have inherently simplified clearing capabilities relative to traditional derivatives. The Commission should use this opportunity to assess the availability of a completely new risk management framework for such products that emphasize operational resilience, accurate settlement, and robust default procedures rather than complex margin modeling designed for often highly leveraged instruments. It may be possible for the

Tailored Regulations Should be Grounded in Creating Clarity in Application of Existing Rules[8]

As the Commission considers the appropriate regulatory framework for event contracts, a central issue is not whether such markets should be regulated, but how existing rules should be applied with sufficient clarity to reflect the specific characteristics of these products.

Whenever market conditions create new concerns, there can be an urge by regulators to stack new regulations on top of existing regulations, in what starts to resemble a regulatory Rube Goldberg machine over time. While TDC strongly supports and encourages the Commission in its consideration of tailored rulemaking for event contract markets to address issues specific to those types of products, existing rules governing Commission-regulated exchanges and the products and services offered through such exchanges are largely sufficient and what is needed from the Commission is simply clarification as to how those rules should apply in situations unique to event contract markets.

Event contracts, at the end of the day, are still just a well-known form of commodity derivatives which have been around for over a hundred years[9] and which fall squarely within the CEA's framework and existing rules and regulations implemented by the Commission. These contracts exhibit all the core characteristics of other forms of contracts in derivatives markets. They enable risk transfer, price discovery, and trading through organized venues. With respect to trading practices, there is nothing in event contract markets which would make them inherently more susceptible to wash trading, pre-arranged trades, or disruptive trading practices than other exchange-traded products. Existing prohibitions under the CEA provide a sufficient framework to address such conduct.

The Commission's existing rules and regulations, particularly the core principles and other requirements for Designated Contract Markets ("DCMs"),[10] anti-manipulation provisions, and conduct rules provide the Commission with sufficient flexible and robust oversight over these markets. While additional rulemaking is likely required to future proof these markets, the Commission should also be conscious not to create new formal rules (and their often-associated regulatory burdens) where formal guidance is sufficient to ensure existing rules and regulations are being applied uniformly by participants. Less costly alternatives, including interpretive guidance, no-action relief, and principles-based standards, should be prioritized wherever possible. These tools can provide clarity without freezing innovation or imposing rigid frameworks that may

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Commission to first use the event-contract market as a testing ground for such changes before implementing across the larger swap market ecosystem.

[8] This section is responsive to ANPRM Questions 1, 2, 5a-c, 6, 21, and 37.

[9] *See* Paul W. Rhode & Koleman S. Strumpf, *Historical Presidential Betting Markets* (Nov. 10, 2003) (analyzing investments made into predicting the outcome of presidential elections from 1868-1940 on or near the New York Stock Exchange, including the 1916 election which had the equivalent of over $165 million in volume in trading activity when adjusted for inflation); *see also* CFTC No-Action Letter No. No. 93-66 (June 18, 1993) (Iowa Electronic Markets, University of Iowa) (demonstrating the CFTC's recognized historic authority to regulate event contracts).

[10] *See* Core Principles and Other Requirements for Designated Contract Markets, 77 Fed. Reg. 36,612-726 (June 19, 2012) (codified at 17 C.F.R. pts. 1, 16, & 38).

quickly become outdated as these markets evolve. To that end, TDC has included as **Exhibit A** to this submission a summary of TDC's positions as to what recommendations require formal rule changes vs. what the Commission can accomplish through guidance or other non-rulemaking actions.

Clarifying Scope of Existing Jurisdiction[11]

Congress was clear in its intent when it expanded the CEA in 1974, created the Commission, and vested the Commission with exclusive jurisdiction to oversee the U.S. futures markets.[12] Providing clear and consistent federal standards for event contracts traded on registered exchanges will be important to reduce fragmentation, avoid duplicative or conflicting requirements, and ensure that market activity remains within well-supervised U.S. frameworks rather than migrating to less regulated jurisdictions.

In recent litigation, some state regulators have taken the position that allowing the Commission's regulatory authority to be exclusive, namely in certain types of event contracts traded on DCMs, would lead to a parade of horribles such as creating a requirement that all sports-wagering be conducted on DCMs.[13]

The Commission has never taken the position that any financial stake in the outcome of any future event must be conducted on DCMs, but this concern persists. Just as every shipment of corn with payment-upon-receipt is not required to be registered with the Commission, nor does every financial stake in the outcome of a sporting event required to be conducted through Commission-regulated DCMs.[14] It is important for the Commission to further clarify not just what is required for a DCM to list an event contract; the Commission should also provide (through formal rule or official guidance) what event-specific arrangements are not required to be listed by or through a DCM.

To provide the market, states, and courts with appropriate guidance on the distinction between Commission-overseen event contracts and state-overseen gaming laws, the distinguishing factors should be based on economic substance and market/venue structure. Event contracts may

[11] This section is responsive to ANPRM Questions 2a, 2f, 16, and 19a-f.
[12] Commodity Futures Trading Commission Act of 1974, Pub. L. No. 93-463, § 201(b), 88 Stat. 1389, 1395 (codified at 7 U.S.C. § 2(a)(1)(A)).
[13] *See, e.g., North American Derivatives Exchange, Inc. v. State of Nevada, et al.,* Case No. 2:25-cv-00978-APG-BNW (9th Cir. April 16, 2026) (where the State of Nevada argued in briefing and oral arguments that ruling in favor of the DCMs or FCMs in attendance during consolidated oral arguments would create a presumption that any financial stake in the outcome of an election or sporting event would be required to be conducted on a CFTC-regulated exchange).
[14] It is worth noting that while event contracts may share superficial similarities with insurance products, they differ fundamentally in structure and purpose. Insurance involves risk transfer tied to an insurable interest and typically requires underwriting and claims adjudication. Event contracts, by contrast, are standardized, tradable instruments that facilitate price discovery and allow for dynamic risk transfer among market participants. The availability or absence of insurance for a given risk should not be a determinative factor in assessing the appropriateness of an event contract traded on a Commission-regulated exchange.

superficially resemble services traditionally regulated by states, like insurance or gaming, but their structures and uses differ in material ways which should be clarified.

Event contracts which are standardized, fully collateralized (or appropriately margined, where permitted), traded through exchanges, dependent on purely market forces for pricing, and which facilitate price discovery and risk transfer, should be clearly treated as derivatives under the exclusive purview of the Commission. The tell-tale signs of markets properly under the exclusive purview of the Commission are markets which provide equal access to execution, data, and infrastructure, have transparent and uniform fees, and which are reliant on operator neutrality to ensure neutral price discovery for participants. These are all required already under the DCM core principles.[15]

On the other side, financial arrangements where a single actor or group of affiliated actors (*i.e.,* the "book") sets pricing, the venue offering such financial arrangements stands to win or lose as based on the outcome of the event, and for financial arrangements which are purely recreational and lack economic purpose, then that is properly regulated by gaming and falls within the jurisdiction of the state in which such arrangements are made. There should be a crucial distinction made between financial arrangements which are tradable on a market (such as positions on a DCM) and those which are not (such as betting slips from a sportsbook).[16]

The Commission should clarify the scope of its jurisdiction as to what financial arrangements involving event-outcomes are not required to be traded on a DCM. There should be zero doubt that states still have the authority to regulate "gaming" in the context of sportsbooks, casinos, and raffles, while states have zero authority to regulate what trades are available on DCMs other than through their rights to bring an Administrative Procedures Act claim if a particular state believes the Commission is not properly overseeing or regulating such markets as are the states' rights for any federal regulatory issue.

TDC recognizes the ongoing legal and policy dialogue between federal and state authorities in relation to prediction markets. Providing clear and consistent federal standards for event contracts traded on registered exchanges will be critical to reducing fragmentation, avoiding duplicative or conflicting requirements, and ensuring that market activity remains within well-supervised U.S. frameworks rather than migrating to less regulated jurisdictions.

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[15] *See supra* fn. 10.

[16] This is not to say states should be permitted to bring enforcement actions against any particular DCM which in their view violates such guidance or rulemaking. Any such action would remain improper, while states could seek relief regarding the Commission's regulatory decisions as to the contracts it permits to be listed on its regulated exchanges through an Administrative Procedures Act claim. Instead, what TDC is advocating for is formal distinctions on gaming products vs. exchange products similar to the CFTC's prior rulemaking and interpretive guidance efforts to clarify the distinction between insurance products and exchange-traded swaps. *See, e.g.,* Commodity Futures Trading Commission, *Proposed Rules and Interpretive Guidance: Further Defining "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping* (Office of Pub. Affs.); https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/pd_factsheet.pdf.

The Commission Should Resume Formal Rulemaking to Define What Event Contracts are Prohibited[17]

While existing rules provide a well-established framework capable of addressing the relevant risks specific to prediction markets, subject to appropriate clarification where necessary, there are discrete areas, particularly with respect to prohibited event contracts under Special Rule 40.11, where formal rulemaking would provide necessary certainty that guidance alone cannot achieve.

What is "gaming" and the scope of Special Rule 40.11[18] must be clarified. In Dodd-Frank, Congress gave the Commission the authority (but not the mandate) to prohibit "agreements, contracts, transactions, or swaps in excluded commodities that are based upon the occurrence, extent of an occurrence, or contingency" in certain categories if the Commission determines them to be "contrary to the public interest."[19] One such category is "gaming."

Both the text of the statute and the Commission's implementing Rule 40.11 requires an individualized determination as to whether listing a contract within that category would be contrary to the public interest.[20] The Commission correctly created Special Rule 40.11 to inform market participants what was prohibited from listing and the review process for the Commission to undertake for any contract which may be prohibited. The Commission is aware of the contracts listed on DCMs and, if it felt those contracts involved prohibited "gaming" under its own rules then the Commission would have taken appropriate action. However, litigation in this area indicates that the lack of action by the Commission as to certain listed contracts (namely, those involving the outcome of political elections and/or sports contests) has been insufficient to provide the market clarity as to what is prohibited as "gaming" contracts under the Commission's rules.[21]

The Commission previously considered (but did not enact) formal rules "to further specify the types of event contracts that involve 'gaming.'"[22] As has been made clear from currently certified contracts on DCMs, the Commission's approach to "gaming" has evolved from the prior rule proposal. The Commission does not classify an event contract as "gaming" merely because "one or more athletes compete."

[17] This section is responsive to ANPRM Questions 18, 19a-f, and 30.
[18] 17 C.F.R. § 40.11
[19] U.S.C. § 7a2(c)(5)(C)(i)
[20] 17 CFR § 40.11(c). Note, it is currently unclear if such an individualized determination can be made for broad categories of contracts, such as the outcome of NFL games, or if such a determination needs to made on a per-contract basis, *i.e.* each NFL game-related contract would require a separate public interest determination, requiring thousands of individual public interest determinations each NFL season.
[21] *Id*.
[22] See Event Contracts, RIN 3038- AF14, 89 FR 48968 (June 10, 2024).

Further, we unfortunately live in a world where any "event" could be disrupted by acts of terrorism, assassination, or war.[23] Whether a world leader is in power on a designated date is clearly a matter of potential economic significance. That world leader could gain or lose power due to lawful elections, resignation, sickness, or a variety of other factors. He or she could also be caused to lose power due to an act of terror, war, or assassination. Indeed, any event contract which is dependent upon a single individual will inevitably be dependent upon that individual not being the victim of an activity which is prohibited from listing if contrary to the public interest pursuant to Special Rule 40.11(a) and (c).

These scenarios should not lead to prohibiting any event contract in which the outcome could be possibly affected by acts of terrorism, assassination, or war. However, there should be uniformity in the market on how such contracts are resolved which balances the interests of not permitting event contracts which are pseudo prohibited arrangements (such as how many American troops will be in a given country on a given date as an end-around to the prohibition on event contracts on the basis of war) against the equities of when an otherwise permissible contract (such as who will be the next political leader of a country) ends up being determined by an otherwise prohibited event. Creating formal rules on when an event contract could be nullified due to the outcome being determined by an event which it would be contrary to the public interest to financially reward or punish market participants over will be hugely beneficial for creating uniformity and market certainty.

Whether the market is provided clarity on these issues through formal rulemaking (such as previously considered amendments to Special Rule 40.11, or entirely new rulemaking on the subject) or formal guidance (such as providing base event contract terms that every contract should contain some variation of, anchored to the DCM core principles) the Commission should provide further clarifications so that the market can continue to grow while providing uniformity to users who do not have the time or desire to compare what should be boilerplate terms across differing DCMs.

Additionally, TDC acknowledges that the Commission's authority under Section 5c(c)(5) of the CEA to prohibit certain event contracts on public interest grounds. This should remain a central component of any revisions to existing regulatory frameworks. TDC encourages the Commission to provide clear, forward-looking guidance on how the public interest component of contract listing determinations will be applied in practice, including through illustrative examples where appropriate. This would reduce regulatory uncertainty, support consistent supervisory outcomes, and minimize the risk of protracted legal challenges, while preserving the Commission's ability to intervene where necessary.

[23] Note that the classification of "war" also may require further guidance. While TDC believes any contract on the basis of military actions likely goes against the public interest, the term "war" has debated meanings since the term as it is used in Article I, Section 8, Clause 11 of the U.S. Constitution has not been formally declared by Congress since 1942, but the U.S. has been involved in many other military conflicts since then that are colloquially referred to as wars.

Blockchain-Based Prediction Markets Should Be Encouraged[24]

Markets, including prediction markets, are moving toward blockchain-enabled infrastructure regardless of the Commission's approach to regulating such markets. However, whether these markets develop under American registration and supervision or abroad will be dependent on the Commission's rulemaking or guidance. It is, thus, in the Commission's interest to ensure there are no unnecessary impediments to firms who choose to deploy blockchain-enabled technologies in their event contract offerings.

Onchain market infrastructure for prediction markets go beyond the benefits of settlement finality which all markets can improve upon through blockchain-enabled technologies.[25] These technologies can be used to enhance transparency, auditability, programmability, and scalability for prediction markets. Onchain prediction markets create pathways to tighter spreads, more efficient deployment of liquidity, and more transparent markets.

Indeed, we have already seen the power of the public to flag suspicious activities on blockchain-enabled markets where the timing and sizing of positions (if not the identity of the individual or entity taking such positions) are publicly available.[26] This may enable broader visibility into market activity, giving the public power to detect and report on potential suspicious or improper market conduct. This is, of course, an enhancement to a DCM's existing obligations to conduct surveillance for violative activity. While individual privacy must be preserved, suspicious order timing and sizing across exchanges can be detected and flagged for further investigation much more effectively through transparent blockchain-based order books.[27]

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[24] This section is responsive to ANPRM Questions 2a, 2d, and 2h.

[25] *See* The Digital Chamber Letter, *Input on Tokenized Collateral and Stablecoins* (Nov. 26, 2025) *available at* https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=113936&SearchText=

[26] *See CFTC v. Van Dyke*, No. 1:26-cv-03369 (S.D.N.Y. Apr. 23, 2026) (case recently brought by CFTC regarding allegations of insider trading which were largely revealed and investigated in part due to the public nature of the trades at issue made on a public/immutable blockchain).

[27] Whether through blockchain-enabled technologies or otherwise, there is a crucial need to calibrate market surveillance to meet event contract needs. Issues like unusual trading ahead of key events and conduct which indicates collusive or coordinated efforts can unduly influence or interfere with the outcomes of the events themselves sometimes. Prediction market surveillance cannot be treated as a simple extension of traditional futures market surveillance. It requires robust anti-abuse and surveillance frameworks tied to the types of event contract at issue. The Commission can assist its registrants by providing guidance on what practices are required and/or advisable to meet the obligations those registrants have on escalating review of potential abuse and investigating anomalous trading patterns or activities. Additionally, the Commission must provide guidance to DCMs on when they can use tools such as geofencing, access controls, position limits, and other market-specific mitigation tools to protect against insider trading abuses while still maintaining impartial access to such markets. For example, for contracts tied to narrow or individually influenced outcomes, more conservative limits or enhanced monitoring may be warranted. *See also* Solidus Labs, *Polymarket Under the Polygraph: Market Abuse in the Age of Onchain Prediction Markets* (Apr. 2026) (research paper from leading trade surveillance, transaction monitoring, and compliance technology provider, Solidus Labs, noting the unique ways in which blockchain-enabled trading platforms can facilitate price and volume manipulation, and the need for strong cross on- and off-chain data connectivity to effectively achieve cross market surveillance).

By creating flexible DCM and DCO structures that welcome onchain prediction markets, the Commission can ensure the next generation of prediction-market infrastructure is built by entities subject to the Commission's oversight. All that is required of the Commission to achieve this goal is creating flexibility in its regulatory approach and clear pathways for existing registrants to modernize their operations to take advantage of blockchain-enabled technologies.

The Commission's rulemaking should include an outcomes-based regulatory pathway to allow firms to demonstrate compliance with the CEA's applicable core principles through blockchain-enabled technical architectures. Core principles such as impartial access, market surveillance, protecting against market manipulation, information access, record keeping, and a plethora of other core principles can be met with similar or superior results through blockchain-enabled technologies.

By embracing the technologies that firms are already moving towards, both domestically and abroad, for event contract markets, the Commission can ensure that the best products in this area are offered under Commission-supervision and allow legacy firms to improve existing systems without fear of being slowed down through regulatory bureaucracy or risk that such system improvements will not be accepted by the Commission.

Uniformity in Information Access and Contract Terms are Paramount[28]

Event contract markets may present specific integrity risks that merit focused supervisory attention, particularly in relation to the potential misuse of material non-public information, information asymmetries, and concentrated informational advantages. Prediction markets, particularly event markets, require deep liquidity to remain competitive. These markets can swing dramatically based on the emergence of new information, and when these swings are driven by true market forces then the contracts are behaving appropriately.

While these risks are not unique to event contracts, their manifestation may differ due to the nature of underlying events, including political, geopolitical, and corporate developments. The Commission's existing anti-fraud and anti-manipulation authorities under the CEA provide a strong foundation.

However, on shallow order books, a single modest buy or sell order can materially move the implied probability of an event contract's outcome creating misleading market signals which are simply reflective of liquidity scarcity as opposed to genuine consensus belief regarding the underlying event. Wide spreads, shallow order books, and stale pricing disproportionally burden less sophisticated or technologically advantaged participants.

The Commission has the ability to improve on this in material ways. The first of which, as is addressed above, would be creating a set of baseline and boilerplate contract terms which all contracts in a particular market should presumptively include. The investing public needs to be able to know, with near certainty, how a contract will be resolved regardless of DCM and the

[28] This section is responsive to ANPRM Questions 2a, 8, 10, and 29.

potential outcomes need to be clear. By making event contracts turn more on the outcome of the event vs. esoteric differences in contract rules, market participants will be able to spread liquidity across markets in ways which adds depth to those markets and price consistency based on true implied probability and hedge value.[29]

Additionally, rulemaking should encourage independent market making and uniformity of market access. This is required under the DCM core principles, and market makers serve a valuable role of ensuring competitive quoting across markets. In this way, all markets can be driven by consensus beliefs vs. liquidity scarcity on a given market at a given time. Public disclosure requirements for institutional trading should be calibrated to avoid exacerbating adverse selection risks, particularly in markets where information asymmetries may already exist.

Finally, TDC applauds the Commission's recently entered memorandum of understanding with Major League Baseball (the "MLB MOU")[30] and encourages the Commission to pursue additional information sharing agreements with other major sports leagues to ensure data is appropriately shared to maintain market integrity. However, any arrangement which results in discretionary or unequal access to potentially market-moving information undermines the DCM core principles regarding impartial access and the prevention of market manipulation.

Regardless of the form of the arrangement, any proprietary data relationships, preferred event-feed access, or functionally similar arrangements, if available to some, must be fully disclosed and such information made available to the public in an impartial way.

Any materially relevant source data which is provided by or through a DCM to any potential market participants must be made available to all market participants on fair and transparent terms, including real time data access where appropriate. For example, to the extent access is given to gamestate data feeds, those feeds should be required to be provided to market participants and/or other market providers on similar commercial terms. Data providers, registrants, or participants should not be permitted to form arrangements which result in discriminatory access to market-relevant information or in ways which confer a structural advantage to a subset of participants.[31]

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[29] This would include, where appropriate, mandating DCMs use publicly disclosed and uniform official or authoritative sources to ensure market participants can be aware of the applicable timing conventions, correction policies, and limitations of those sources that may affect information dissemination, interpretation, and contract settlement. Such uniformity and public disclosure serves to reduce ambiguity, support fair quoting across DCMs, and promote confidence in the relevant market's design and resolution process.

[30] Commodity Futures Trading Comm'n & Major League Baseball, *Memorandum of Understanding* (2026). Note, it is understood that the MLB MOU is a confidential data sharing arrangement designed to enhance market integrity. This recommendation should not be misconstrued as saying the Commission itself should not be able to enter into confidential data sharing arrangements with third-parties.

[31] In addition to the above suggestions, it is suggested the Commission consider issuing guidance on supervisory expectations on markets to combat against fraud and abuse while enabling impartial market access. This includes (1) providing a list of clear expectations regarding the treatment of "insider-trading" on prediction markets including if and how the commonly understood meaning of "material non-public information" comports on commodities markets, and the importance (or lack thereof) of such information have proprietary value to the individual's employer and/or the confidentiality obligations of the individual over such information; (2) what risk-based surveillance is expected for contracts where the outcome may be influenced by a limited number of actors; and (3) the obligations on registrants

Individually Deterministic Markets Should be Carefully Addressed[32]

We live in a world where a popular athlete moving a single beverage off a table in a press conference can cause billions in market movement for the creator of that beverage.[33] It is clear that the words and actions of individuals can create market dynamics which market participants may want to hedge exposure against. However, as the Commission recognized in its recent Staff Advisory notice:[34] "contracts that resolve or settle based on the action of a single individual or a small group of individuals" can create a "heightened potential for manipulation or price distortion." This issue is particularly important for event contracts since the line between legitimate forecasting and structurally manipulatable positions can become blurred.

TDC encourages the Commission to address these issues through providing guidance on what types of contracts, regardless of their hedging ability, are not appropriate for listing on regulated markets due to the inability to make the underlying event sufficiently objective, surveyable, and not subject to manipulation. It may be advisable that the Commission creates some process through which DCMs can be provided expedited review and conditional approval. The Commission could also consider a streamlined review pathway for event contracts that present discrete issues, allowing for targeted (or conditional) approval focused on specific core principle compliance rather than full contract re-evaluation.

Conclusion

The Digital Chamber supports the development of a clear, proportionate, and consistent regulatory framework for event contracts that reflects their role within the broader derivatives ecosystem. Regulatory clarity, alignment with existing core principles, and a focus on identifiable risk will be important in supporting both market integrity and continued development of well-functioning prediction markets in the United States.

This includes clarifying that activity in standardized, cleared event contracts should not trigger swap-dealer thresholds designed for fundamentally different risk profiles; providing clear, administrable distinctions between Commission-regulated derivatives markets and state-regulated gaming; and establishing greater certainty around the scope and application of prohibitions under Special Rule 40.11. Where additional regulatory action is warranted, it should be narrowly tailored

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to identify and mitigate conflicts of interests and information asymmetries (where proper). These measures should have the overriding goal of remaining principles-based and proportionate to the risk such measures are designed to address. The Commission should avoid creating any prescriptive requirements that unnecessarily restrict legitimate participation or impair liquidity formation.

[32] This section is responsive to ANPRM Questions 2c, and 30-32.

[33] Adriana Garcia, *Cristiano Ronaldo Snub Sees Coca-Cola Market Value Fall by $4bn*, ESPN (June 16, 2021) *available at* https://www.espn.com/soccer/story/_/id/37618171/cristiano-ronaldo-snub-sees-coca-cola-share-price-fall-4bn (story regarding how the actions of major soccer player at a post-game conference led to the market cap of a major soft drink manufacturer to fall by roughly $4 billion).

[34] U.S. Commodity Futures Trading Comm'n, Div. of Mkt. Oversight, *Prediction Markets Advisory*, CFTC Staff Advisory No. 26-08 (Mar. 12, 2026).

to promote consistency and reduce ambiguity without imposing unnecessary burdens that could stifle innovation or drive activity offshore.

Equally important, the Commission should embrace the evolution of market infrastructure by encouraging the use of blockchain-based systems by DCMs to satisfy core regulatory principles through outcomes-based compliance, while promoting liquidity through standardized contract terms, fair and equal access to market data, and support for competitive market-making. By taking this approach, the Commission can advance its statutory objectives of market integrity, customer protection, and price discovery, while ensuring that the next generation of prediction market innovation develops within a robust and well-regulated U.S. framework.

The Digital Chamber thanks the many members that contributed their time and expertise towards the development of this letter, including but not limited to, Jump Crypto, Peter Malyshev, Partner, Sidley Austin, LLP., Rob Schwartz, Partner, Morgan Lewis, Eileen Flaherty, Managing Director, The Global Capital Group Ltd., and Chen Arad, Co-Founder & CXO, Solidus Labs.

The Digital Chamber stands ready to assist the Commission in developing a thoughtful and durable framework for this emerging market segment. We appreciate your consideration and welcome the opportunity to engage further.

Best,

Cody Carbone

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CEO
The Digital Chamber

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EXHIBIT A- SUGGESTED ACTION BY ISSUE

REQUESTED ACTION	POSITION	RELEVANT RULE
Formal Rulemaking	Activity in cleared prediction-market swaps should not count towards swap-dealer *de minimis* thresholds.	Regulation 1.3
Formal Rulemaking / Guidance	Create clarity through further definition of "swaps" so public has clarity on what financial arrangements dependent on outcome of future events must be traded through CFTC-registered exchange vs. what remains under state regulatory purview under state gaming laws similar to prior distinctions on state-regulated insurance products.	17 C.F.R. Part 1; Regulation 1.3
Formal Rulemaking / Guidance	Clarify what is "gaming" under Special Rule 40.11.	Special Rule 40.11
Guidance	Clarify (1) what event-based contracts require a prior finding from the Commission as to whether or not that contract would be against the public interest; (2) the specific metrics or process used by the Commission to asses public interest issues; and (3) whether such contracts can be accepted/denied on a group basis for substantially similar arrangements vs. if they require individualized findings for each.	Special Rule 40.11
Guidance	Clarify specific application of Core Principles and Other Requirements for Designated Contract Markets to event contract issues.	17 C.F.R. Parts 1, 16, 38, 43 and 45
Guidance	Clarify scope of "insider trading" rules for contracts on Designated Contract Markets including the application (or lack thereof) of the concept of material non-public information, whether the information traded on is required to be the property interest of a third-party, and what level of confidentiality obligations an individual improperly trading on such information is required to be under.	17 C.F.R Part 180
Formal Rulemaking / Guidance	Creation of outcome-based regulatory pathway to allow firms to demonstrate compliance with the CEA's applicable core principles through blockchain-enabled technical architectures.	17 C.F.R. Parts 1, 16, 38, 43 and 45