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April 30, 2026

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

Re: Prediction Markets Advanced Notice of Proposed Rulemaking; Request for Comments (RIN 3038-AF65)

Dear Mr. Kirkpatrick

The Securities Industry and Financial Markets Association[1] and its Asset Management Group[2] (collectively, "**SIFMA**") appreciates the opportunity to submit this letter in response to the Commodity Futures Trading Commission's (**"CFTC" or "Commission"**) advanced notice of proposed rulemaking and request for comments on prediction markets ("**ANPR**").

SIFMA represents broker-dealers, swap dealers, security-based swap dealers, and asset managers that are subject to comprehensive federal regulatory regimes and that participate in U.S. and global markets. SIFMA's response to the ANPR addresses prediction markets within the context of the existing derivatives market structure framework. As such, our observations focus on how any future regulatory approach might interact with established statutory mandates and regulatory expectations applicable to our members.

SIFMA appreciates the Commission's interest in better understanding the evolving landscape of prediction markets and recognizes the importance of ensuring that financial products develop within a clear and coherent regulatory framework. Given the breadth and preliminary nature of the issues raised in the ANPR, SIFMA's comments are intended to underscore certain

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] SIFMA's Asset Management Group (SIFMA AMG) brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms that manage more than 50% of global AUM. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit http://www.sifma.org/amg.

overarching considerations that may be relevant to the Commission as it evaluates potential next steps. SIFMA does not seek to address each of the individual questions posed, nor to advocate for specific outcomes, but rather to highlight several factors that are particularly salient for our member firms, which include: (1) product categorization and jurisdictional boundaries; (2) interagency coordination; (3) market integrity and investor protection; and (4) cross-border considerations.

I. Background

Prediction markets are trading platforms that offer event-based derivatives—commonly referred to as event contracts—that settle based on the outcome of a specified future event. These contracts are typically structured with binary payoff structures and are intended to be cash-settled by reference to an objective, verifiable criterion.

Under the Commodity Exchange Act ("**CEA**"), certain event contracts may fall within the definition of a "swap," as set forth in CEA Section 1a(47), as amended by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Title VII**"). Platforms that list such contracts for trading by U.S. persons generally operate as CFTC-registered designated contract markets ("**DCMs**") and, as such, are subject to the DCM Core Principles in CEA section 5(d) and applicable Commission regulations governing market integrity, surveillance, and customer protection.

Over the past year, prediction markets have expanded materially in scope, volume, and public visibility, with a significant increase in both the number of event contracts offered and the range of underlying events. This growth has coincided with heightened regulatory attention.

One consideration is that some contracts may have characteristics akin to securities regulated by the Securities and Exchange Commission ("**SEC**"). CFTC Chairman Selig noted at a recent joint CFTC-SEC event that although prediction markets have been within the CFTC's regulatory jurisdiction for decades, there is some lack of clarity, leading him to direct staff to work with SEC staff on joint interpretations regarding product definitions.[3] In a subsequent speech, SEC Chairman Atkins acknowledged that some event contracts may be subject to SEC jurisdiction, noting that "…it is past time that the [Commission] work with the CFTC to provide clarity on a range of Title VII definitional issues, including whether certain event contracts may be security-based swaps or other types of securities, such as options on securities."[4]

There is also increasing focus on market integrity-related issues, such as market manipulation. Related to product categorization, there is growing attention on what constitutes insider trading in the context of event contracts, as the approaches differ under commodities and

[3] Hon. Michael S. Selig, CFTC, Chairman, *The Next Phase of Project Crypto: Unleashing Innovation for the New Frontier of Finance* (Jan 29, 2026).

[4] Hon. Paul S. Atkins, SEC, Chairman, *Fostering Regulatory Harmony Between the SEC and CFTC* (Mar 10, 2026).

securities regulation. At a recent event, CFTC Director of Enforcement David Miller identified insider trading, including on prediction markets, as a top enforcement priority.[5]

II. Product Categorization and Jurisdictional Boundaries

SIFMA member firms operate under comprehensive regulatory regimes that depend on well-defined product categorizations. Legal certainty regarding jurisdictional boundaries is a threshold consideration – and for many, a foundational prerequisite – for engagement in prediction markets. Market participants may hesitate to engage where product classification is uncertain and may be subject to retroactive reinterpretation.

Depending on their design and reference events, event contracts may take the form of futures, swaps, securities, securities options, and/or security-based swaps, raising important regulatory implications. Ambiguity regarding whether a particular product is subject to CFTC regulation, SEC regulation, or both can create significant compliance challenges and increase legal risk, particularly for market participants operating across multiple markets and product types. Importantly, product classification can also impact trading permissibility and the venues available to market participants.

SIFMA agrees that prediction markets warrant regulatory clarity, including thoughtful consideration of how event contracts intersect with the core Title VII product definitions. Amendments to product definitions, however, could introduce unintended, knock-on consequences to the existing swaps and security-based swaps framework and therefore need to be considered within the broader context in which they operate. Care should be taken to ensure that regulatory action is properly calibrated to avoid unintended consequences.

III. Interagency Coordination

Many SIFMA members are dually registered or otherwise subject to overlapping CFTC and SEC regimes. These firms rely on clear and consistent jurisdictional boundaries to design compliance programs, allocate capital, manage risk, and develop internal controls. Absent coordinated regulatory approaches, firms could face duplicative or conflicting registration and compliance obligations, inconsistent interpretations of similar product characteristics across agencies, or uncertainty regarding applicable conduct, reporting, and enforcement standards. Cooperation between the agencies should also consider the context of the existing regulatory regimes for swaps and security-based swaps, which go beyond the event contracts in question.

[5] David I. Miller, CFTC, Director of Enforcement, *Remarks at NYU Law School – CFTC Enforcement Priorities, Insider Trading in the Prediction Markets, and Cooperation with the CFTC* (Mar 31, 2026).

Continued and enhanced coordination between the CFTC and the SEC, as evidenced by their recently signed Memorandum of Understanding, is critical to addressing these types of issues. SIFMA believes that coordinated guidance, joint statements, or where appropriate, joint rulemaking can facilitate regulatory certainty. Providing harmonized understanding and clear jurisdictional boundaries will help ensure that markets develop in a manner that supports innovation, market integrity, and investor and customer protection, as well as reduce the risk of regulatory arbitrage.

IV. Market Integrity and Investor Protection

SIFMA members support the robust and consistent application of market integrity and investor protection principles—including anti-fraud, anti-manipulation, and information-misuse standards—across all derivatives and securities markets, including those applicable to event contracts traded on prediction markets. Our member firms operate subject to comprehensive statutory and regulatory obligations designed to prevent fraud, manipulation, and the misuse of material nonpublic information and maintain extensive policies, controls, and surveillance systems designed to address such market abuse risks.

Prediction market contracts may present novel factual scenarios, but they raise issues that are well-grounded in longstanding market integrity principles. Clarity regarding the application of existing anti-fraud and anti-manipulation provisions to event contracts, including those related to product classification as discussed above, would support responsible market participation, reinforce confidence in regulatory oversight, and mitigate the risk of inconsistent or fragmented enforcement approaches as these markets develop. Addressing the issue of cross-market manipulation is another area that warrants attention, as behaviors that might be acceptable in the context of prediction markets could have downstream effects on other correlated or underlying markets, such as equities and listed options.

V. Cross-Border Considerations

Predictable and well-articulated cross-border application of U.S. rules to global derivatives markets is essential to preserving market efficiency and financial stability. Given that the CFTC and SEC have historically utilized distinct approaches to the cross-border application of their respective rules, the product classification issues discussed above will have a direct impact on which cross-border rules apply. Cross-border implications are a critical consideration for SIFMA member firms engaged in global derivatives markets and subject to multiple regulatory regimes governing derivatives activity. As such, they and their clients rely on substituted compliance, recognition, and comparability determinations to manage compliance with overlapping regulatory requirements while avoiding duplicative or conflicting obligations. Any future regulatory approach to prediction markets should consider such existing cross-border frameworks.

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SIFMA appreciates the Commission's willingness to engage early and publicly on the regulatory considerations associated with prediction markets and supports an approach that allows innovation to develop within a clear, coordinated, and principles-based regulatory framework. As the Commission evaluates potential next steps, SIFMA encourages a deliberate approach that builds on existing regulatory frameworks, avoids unnecessary market fragmentation or competitive disparities, and maintains robust market integrity and customer protection outcomes.

We look forward to continued dialogue and stand ready to provide additional perspective as the Commission evaluates whether and how to proceed with further regulatory action.

Respectfully submitted,



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cc: The Hon. Michael S. Selig, Chairman