Castle

April 28, 2026

By Electronic Delivery

Mr. 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 on Prediction Markets, RIN 3038-AF65

Dear Mr. Kirkpatrick,

Castle Technologies, Inc. ("Castle") respectfully submits these comments in response to the Commission's Advance Notice of Proposed Rulemaking on Prediction Markets, published in the Federal Register on March 16, 2026 (91 FR 12516).

Castle is an early-stage company building infrastructure to help businesses use CFTC-regulated event contracts to hedge discrete, idiosyncratic risks that fall outside the reach of traditional financial hedges and corporate insurance. Our focus is on commercial risk transfer rather than retail speculation.

We file this comment for one reason: the public conversation around prediction markets has been dominated by sports, and the rulemaking record is filled with submissions from exchanges, anti-gaming groups, and retail platforms. The commercial hedging use case has comparatively few voices on the record, even though it is the use case the Commission's existing statutory framework was most clearly designed to protect. We want to present a concrete picture of that use case to the Commission and make a broader point about why we believe these markets matter for the United States.

I. Prediction Markets as Price-Discovery Infrastructure

Many discrete events drive real economic outcomes: whether an infrastructure project breaks ground on schedule, whether a key input price holds within a forecasted band, whether a clinical trial reads out positively, whether a permit is granted, or whether a tax credit survives reconciliation. Historically, mechanisms for translating diffuse expectations about these events into a single public price have been limited in scope and accessibility.

That is changing. It is now possible to price uncertainty about discrete events at scale through standardized contracts traded on regulated venues, and in a way that is transparent, continuously updated, and accessible to anyone. This represents a meaningful expansion of the financial system's price-discovery infrastructure, adding a new layer of public information about how the world is likely to unfold.

This framing matters because it places prediction markets squarely within the price-discovery and risk-transfer tradition the Commission has long overseen pursuant to the Commodity Exchange Act. Organized markets in standardized contracts produce information, facilitate the transfer and management of risk, and benefit the broader economy. Prediction markets represent a generalization of that idea to a wider class of underlying events, reflecting a natural evolution of that core jurisdiction and mandate Congress assigned to the Commission.

II. Event Contracts as Commercial Risk-Transfer Tools

Many businesses face material exposure to discrete external events that can drive earnings. A solar developer may see project economics change because a tax credit is modified or phased out; an importer may have

margins reset by a tariff decision; a manufacturer may face a sudden input-cost increase after an antidumping or countervailing-duty determination. These exposures are commercially significant, but sit outside the reach of traditional hedging and insurance markets.

Event contracts have the core characteristics that make risk transfer possible under the derivatives framework the Commission oversees: a binary or near-binary outcome, a defined timeline, material P&L impact, and an objective public source for settlement. When listed and traded on regulated venues, these contracts allow risk to be transferred to willing counterparties, including institutional market makers operating subject to Commission rules on market integrity, surveillance, and capital.

Bearing risks a business cannot control and is not uniquely equipped to predict can impose real constraints on how that business operates. When that risk can be transferred through an organized market, however, the consequences are significant. A company that has hedged its exogenous exposure can invest harder, commit to longer-dated projects, and operate with more conviction. In this sense, hedging is about increasing strategic capacity.

III. Federal Oversight as a Condition for Market Confidence

Federal oversight is essential to the development of this market. Corporate and institutional participants are reluctant to engage meaningfully with event contracts unless the market structure is supervised, transparent, and subject to appropriate standards around market integrity, surveillance, collateralization, and settlement.

This bears directly on how the Commission should weigh costs and benefits in any rule it ultimately proposes. The relevant baseline is the absence of a domestic market, with the corresponding exposure either left unhedged on corporate balance sheets, addressed through bespoke and inefficient bilateral arrangements, or pushed offshore to venues the Commission cannot supervise. Each of those outcomes is worse for American issuers and worse for the integrity of the broader market.

IV. Engagement

The contracts Castle seeks to structure function as hedging instruments that enable the transfer of event-driven risk while producing a market-based measure of that risk. Whatever framework the Commission ultimately develops as a result of this rulemaking, we respectfully urge that it preserve clear regulatory pathways for this use case.

We would welcome the opportunity to engage further with Commission staff as the rulemaking progresses, including by sharing additional detail on the kinds of contracts that fit the commercial hedging use case.

We thank the Commission for the seriousness with which it is approaching this rulemaking, and for its public commitment to a regulatory framework that protects investors and supports innovation.

Respectfully submitted,

Bruno Felix Castillo

Co-Founder & President of Castle Technologies

cc:

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