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April 30, 2026

Via Electronic Submission

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

RE: Prediction Markets, RIN 3038-AF65

Dear Secretary Kirkpatrick:

The Independent Community Bankers of America ("ICBA")[1] appreciates the opportunity to comment on the Commodities Futures Trading Commission's ("CFTC") prediction markets advanced notice of proposed rulemaking ("ANPRM").[2] The ANPRM asks the public to weigh in on the CFTC's regulation of event contract derivatives. This comment letter addresses the CFTC's consideration of event contract derivatives and emphasizes that prohibiting contract terms and characteristics that speculate on a bank's survivability is essential to protecting the public interest and maintaining confidence in the financial system.

Currently, event contracts that speculate bank failure exist on prediction market platforms.[3] These contracts pose an inherent risk to the public's trust in financial institutions because of their likelihood of increasing skepticism of bank soundness. Given the risk, we believe the CFTC should prohibit these contracts because they (1) conflict with state laws due to their risk of information manipulation, (2) have a high potential to cause bank runs through social media influences, and (3) are contrary to the public interest because of their ability to destabilize the financial system.

The CFTC should recognize, as a member of the Financial Stability Oversight Council, that event contracts on bank health can quickly spiral out of control, especially during periods of economic stress, and threaten financial stability and the economy of the United States.

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[1] The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit icba.org.
[2] Commodities Futures Trading Commission, *Prediction Markets*, 91 FR 12516 (Mar. 16, 2026).
[3] Polymarket, *Which banks will fail by June 30*, Which banks will fail by June 30? Trading Odds & Predictions 2026 | Polymarket.

Background

Prediction markets began in 1988 at the University of Iowa as the Iowa Electronic Market that allowed users to trade contracts related to voting in presidential elections and conducting academic research of election results.[4] Following the market's creation, in the early 2000s, the company, Intrade, popularized prediction markets by offering contracts on all events related to politics and entertainment.[5] These contracts allow users to make predictions on whether an event or specific outcome would or would not occur. For example, users have started a contract on which banks would fail by June 30[6] and established a certain value to trade on this potential outcome.

The CFTC is responsible for determining whether specific event contracts on prediction market platforms are contrary to the public's interest.[7] Under the Commodities Exchange Act ("CEA"), an event contract traded on a U.S. prediction market platform is contrary to the public interest when it is based on (1) unlawful activity that violates Federal and State laws, (2) terrorism, (3) assassination, (4) war, (5) gaming, or (6) other similar activity determined by the Commission.[8] Each category of prohibited event contracts has the potential to harm the public interest because they may influence the strength of the financial system, and market integrity.

ICBA Comments

The CFTC is seeking feedback on what factors should be considered in making a public interest determination.[9] This comment letter addresses the significant public-interest concerns raised by contracts that speculate on a bank's survivability. Such contracts risk undermining financial stability, conflict with state laws prohibiting the spread of false or misleading information about financial institutions and could amplify the likelihood of bank runs in an environment where social media and rapid news cycles can accelerate market stress.

State laws prohibit false or misleading discussions on a bank's survivability

ICBA strongly encourages the CFTC to consider event contracts on bank failures as contrary to the public interest when making its public interest determination because certain states, such as Georgia, New Mexico, and Texas have already implemented laws that prohibit spreading falsehoods about banks. The CFTC explained that prediction market activities that violate Federal and State laws are strictly prohibited.[10] The State of Georgia implemented a statute that prohibits the discussion, or spreading of false information related to a bank's stability. Under Georgia Code § 7-1-845, it is a felony for any person or corporation, to publish any written or printed false statements concerning any financial institution's ability to meet its obligations that would "cast suspicion upon its solvency, soundness, or ability to meet

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[4] Bruce Blythe, *Predictions markets: The intersection of forecasting and investing*, Britannica, www.britannica.com/money/prediction-markets.
[5] *Id.*
[6] Polymarket, *Which banks will fail by June 30*, Which banks will fail by June 30? Trading Odds & Predictions 2026 | Polymarket.
[7] 7 U.S.C. § 7a-2(c)(5)(C)(i)(VI).
[8] *See* 7 U.S.C. § 7a-2(c)(5)(C)(i); *see also* 91 FR 12516, 12518 (Mar. 16, 2026).
[9] Commodities Futures Trading Commission, *Prediction Markets*, 91 FR 12516 (Mar. 16, 2026).
[10] 7 U.S.C. § 7a-2(c)(5)(C)(i).

its deposits or other obligations in due course."[11] This also applies to those who circulate any report, or make false oral statements about a bank's health that could impact its ability to meet its deposits.[12]

New Mexico Statute § 58-10-93 makes it unlawful to utter any untrue statement that's derogatory to the financial condition of any association subject to the Federal Savings and Loans Act.[13] Similarly, under Texas statute § 59.002, it is considered unlawful for a person to knowingly circulate false information to another person about a bank's condition or intentionally aid or induce another person to circulate misinformation about the financial stability of a Texas bank.[14]

Prediction markets that allow contracts on bank failures conflict with Georgia's, New Mexico's, and Texas's bank slander statutes because prediction market event contracts create risk of information manipulation that can lead to false, and misleading information on banks despite a bank being sound. The risk of information manipulation was most apparent when the CFTC brought enforcement actions against Avraham Eisenberg who stole over $110 million from Mango Markets through the manipulation of prediction market oracles.[15] Due to the risk of information on bank soundness being manipulated, we ask that the CFTC apply its standard of prohibiting event contracts that violate Federal and State laws to prediction market activities that actively speculate on bank failure as they are inconsistent with state laws designed to prevent information manipulation and protect the integrity of financial institutions.

Research suggests that social media and news coverage influence bank runs

ICBA urges the CFTC to recognize how event contracts referencing bank failures are contrary to the public interest due to their potential to accelerate or trigger bank runs. Research shows that the mere existence of these contracts can signal to investors and depositors that a bank is at heightened risk, even when it is fundamentally sound. This concern is reinforced by analysis of the bank failures of 2023 including work by the Federal Reserve Bank of New York demonstrating how news coverage and information flow shaped investor perceptions.[16]

Researchers have determined that when "a bank appeared in the news during the crisis, investors became much more sensitive to risks—regardless of whether the bank has a riskier balance sheet than its peers."[17] Researchers argue that this finding "reinforces the notion that news coverage coordinated investors' actions (and thereby their perceptions of bank risk), either because it reflected latent risk events not captured by balance sheet data, or because investors overreacted to the news."[18] Academic research explains that contagion via social media is critical for causing banking distress and is not just a social network, but a platform that coordinates ideas.[19]

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[11] Ga. Code Ann. § 7-1-845(a)(1) (2024).
[12] *Id.* at § 7-1-845(a)(2) (2024).
[13] N.M. Stat. Ann. § 58-10-93 (2025).
[14] Tex. Fin. Code Ann. § 59.002 (1977).
[15] Commodities Futures Trading Commission, *CFTC Charges Avraham Eisenberg with Manipulation and Deceptive Scheme to Misappropriate Over $110 million from Mango Markets, a Digital Asset Exchange*, (Jan. 9, 2023), https://www.cftc.gov/PressRoom/PressReleases/8647-23.
[16] Federal Reserve Bank of New York, *Reading the Panic: How Investors Perceived Bank Risk During the 2023 Bank Run*, (Sept. 30, 2025), Reading the Panic: How Investors Perceived Bank Risk During the 2023 Bank Run - Liberty Street Economics.
[17] *Id.*
[18] *Id.*
[19] Federal Deposit Insurance Corporation, *Social Media as a Bank Run Catalyst*, pg. 7, SOCIAL MEDIA AS A BANK RUN CATALYST.

In 2023, Silicon Valley Bank failed, resulting in contagion that impacted Signature Bank and later First Republic Bank. Silicon Valley's failure was unique in that social media users amplified concerns about the health of the bank across social media; in fact, SVB has been popularly coined "the first Twitter-fueled bank run."[20] However, prediction markets on Silicon Valley's ability to survive were also active at the same time.[21] Tweets and predictions on whether SVB would fail fueled the rapid departures from the bank's service.[22]

Maintaining Financial Stability is in the Public Interest

ICBA strongly urges the CFTC to consider maintaining a strong, safe, and sound financial system when making a public interest determination. Financial stability is inherently in the public interest, as it enables financial institutions and markets to consistently provide households, businesses, and communities with the capital and financial services necessary to invest, grow, and sustain a robust national economy.[23]

The Federal Reserve noted that a strong economy depends on financial market structures capable of withstanding periods of severe economic stress and volatility while continuing to deliver essential products and services to the broader community.[24] The CFTC has similarly recognized, particularly in the context of the agricultural industry, that preserving the integrity of derivative markets used by farmers and ranchers is critical to ensuring the agricultural industry's continued ability to feed the nation.[25]

Prediction markets that allow trading on the financial condition or failure of insured depository institutions pose particular risks to the agricultural sector and the community banks that serve the farmers and ranchers across our country. Community banks provide nearly 80 percent of bank agricultural loans.[26] Farmers and ranchers rely heavily on stable, relationship-based credit from community banks to finance seasonal operations, equipment purchases, land improvements, and ongoing risk management needs. Because agricultural revenues are cyclical and dependent on factors such as weather, consumption swings, and global market conditions, agricultural borrowers are especially sensitive to disruptions in credit availability or sudden changes in lending standards.[27]

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[20] Eric J. Spitler, *Yelling "Fire" in the Financial Theater: Bank Runs in the Social Media Age and the Threat to Financial Stability*, 28 N.C. Banking Inst. 1, 5 (2024), Yelling "Fire" in the Financial Theater: Bank Runs in the Social Media Age and the Threat to Financial Stability.
[21] Nonrival, *Prediction markets related to Silicon Valley Bank*, (Mar. 11, 2023), Prediction markets related to Silicon Valley Bank.
[22] Eric J. Spitler, *Yelling "Fire" in the Financial Theater: Bank Runs in the Social Media Age and the Threat to Financial Stability*, 28 N.C. Banking Inst. 1, 5 (2024), Yelling "Fire" in the Financial Theater: Bank Runs in the Social Media Age and the Threat to Financial Stability.
[23] Federal Reserve, *How We Promote Financial Stability*, https://www.federalreserve.gov/aboutthefed/fedexplained/financial-stability.htm.
[24] *Id.*
[25] Commodities Futures Trading Commission, *Protecting America's Farmers and Ranchers*, Protecting America's Farmers and Ranchers | CFTC.
[26] Independent Community Bankers of America, *RE: Interim Guidance Regarding Interest on Loans Secured by Rural or Agricultural Real Estate Property under Section 139L of the Internal Revenue Code (Notice 2025-71)*, (Jan. 20, 2026), 709f63e7-f92a-27b7-e76c-cd96b9b82e3f.
[27] William D. McBride, *Production Costs Critical to Farming Decisions*, (Sept. 1, 2003), https://www.ers.usda.gov/amber-waves/2003/september/production/-costs-critical-to-farming-decisions.

Prediction markets linked to bank distress or failure risk amplifying perceptions of instability by commoditizing financial weakness and encouraging speculative activity. Even where a bank remains well capitalized, the existence of prediction markets pricing the likelihood of its failure may undermine depositor, counterparty, and borrower confidence, increase funding pressures, and prompt bank management to adopt more conservative lending postures. For community banks with significant agricultural portfolios, this dynamic can result in reduced credit availability, tighter underwriting criteria, or higher borrowing costs at critical points in the agricultural production cycle.

The resulting contraction in agricultural credit would have consequences that extend beyond individual institutions or borrowers. When farmers and ranchers are unable to secure timely financing, planting decisions, equipment replacement, and operational investments may be delayed or foregone altogether, negatively affecting agricultural output, rural employment, and regional supply chains.[28] Increased borrower stress and credit losses further erode community bank balance sheets, creating feedback effects that weaken both the banking system and the agricultural economy it supports.

Accordingly, prediction markets that profit from or publicly speculate on bank distress are inconsistent with the public interest to the extent they undermine confidence in community banks, restrict the flow of credit to agricultural producers, and heighten systemic risk. When assessing whether prediction market activity serves the public interest, the Commission should explicitly consider its potential to impair agricultural lending, destabilize relationship-based banking, and threaten the safety and soundness of the broader financial system.

Conclusion

ICBA appreciates the opportunity to provide comments on this ANPRM. We encourage the CFTC to consider the public interest and the risks to financial stability, banking system, and agricultural sector if additional limitations are not established for event contracts related to bank failures. Should you have any questions or concerns, please contact Brian Laverdure at brian.laverdure@icba.org or Jonathan Dixon at jonathan.dixon@icba.org.

Sincerely,

/s/

Brian Laverdure, AAP
Senior Director, Digital Assets and Innovation Policy

/s/

Jonathan Dixon
Director, Regulatory Policy

[28] *Id.*